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PARIS, TUESDAY, NOVEMBER 28, 1978

By William Chapman

TOKYO, Nov. 27 (WP) — Pre-mier Takeo Fukuda abandoned his

re-election campaign today after suffering a stunning loss in prelimi-nary voting by members of the Lib-eral Democratic Party.

His withdrawal meant the certain

election of his main rival, Masay-oshi Ohira, who earlier in the day

won an unexpected victory in vot-ing by about 1.3 million party

At a news conference after the

returns were counted, Mr. Fukuda,

73, expressed surprise at his loss and said he would not try to sal-vage victory in the scheduled elec-

tion by party members in the Japa-

nese parliament on Friday.

"My decision is that I will not be

a candidate in the main election,"

He declined to speculate on why he had lost. "Generals of defeated

armies do not speak about their strategy," he said, quoting a Japa-nese proverb.

Mr. Fukuda, who took office two

ears ago, became the first postwar

Japanese premier to lose his posi-

tion as a result of a party election.
Others have either resigned, some-

times under pressure, or have served out their terms and retired.

Advisory Primary

The election today was a kind of

advisory primary — the first in Japan's history — in which I.3 mil-

lion party members indicated their

choice of four candidates. The two

leading candidates were supposed to face each other Friday in a vote

only among party members serving

party president, who then is auto-

matically elected premier by the whole parliament. The final returns

showed that Mr. Fukuda received 472,523 votes to Mr. Ohira's 550,891. Two other candidates.

Yasuhiro Nakasone and Toshio

Komoto, split the remainder and

Mr. Fukuda could have re-

mained in the contest and fought

out the second election among the

parliament members of his party.

But he was forced by his election

strategy to bow out and leave the

It had been predicted that Mr. Fukuda would be a sure winner in

the vote of grassroots party mem-

bers. Polls by three newspapers

showed him winning, although by a

diminishing margin as the cam-

Knowing that he faced a tough battle with Mr. Ohira in the second

election, Mr. Fukuda had suggested

last week that both candidates

agree to abide by the decision of

voters in the first. Mr. Ohira reject-

'Quite Surprised'

first election] and speaking frankly I was quite surprised." Mr. Fukuda

said. "I have thought deeply about

LONDON, Nov. 27 (UPI) -

"large numbers" of political oppo-

work in prison factories, penal

solitary confinement.

"Today I saw the results (of the

paign proceeded.

field uncontested to Mr. Ohira.

were automatically eliminated.

Both elections were to choose a

in parliament.

Established 1887

Dispute Over Child Called Key to Jonestown Deaths

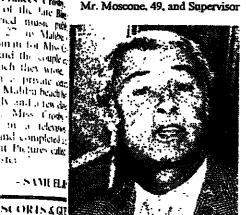
By Karen DeYoung

WASHINGTON, Nov. 27 (WP) in his set his.— The fear of widespread defec-tions were actions from his People's Temple, the product and particularly the threatened loss released of one 6-year-old child to two forfter the end of mer cult members, was one of the forces that drove James Jones to order the mass suicide of his followers on Nov. 18. according to an in-

contact with Mr. Jones and the cult during the last several years, says that Mr. Jones was convinced that the defections would fuel growing public criticism of his cult and bring on the demise of his 20-year-old movement. He ordered the destruction of his church, this source punishment" for the "sins" of defectors who had betrayed him.

Mayor of San Francisco, City Supervisor Are Slain

SAN FRANCISCO, Nov. 27 Harvey Milk, 48, who was elected Tre with (UPI) — Mayor George Moscone an antenpled of Supervisors were shot and killed to top a distribution the San Francisco City Hall to top a distribution A former city official, apparaturation and consuprior methods. A former city official, apparaturation and consuprior methods of the consumption of th and a member of the city's Board ently distraught because Mr. Moscone did not plan to reappoint him. surrendered in the case.



ARHABA INR

than an hour before Mr. Moscone was to announce the appointment of another man to fill the vacancy on the Board of Supervisors. The suspect, Dan White, had resigned from the board and subsequently had announced that he wanted

back his position. The shootings stunned San Francisco, still recovering from the shock of the mass suicides of People's Temple members, most of whom were from the San Francisco area, in Jonestown, Guyana. There apparently was no connection between the two cases, although Mr. Moscone had appointed People's Temple leader Jim Jones to the San Francisco Housing Authority 🔄

Ex-Supervisor Surrenders

Mr. White, a former fireman, surrendered to police less than an hour after the shootings. He had no known connection to the People's

Mr. Moscone's press secretary, Mel Wax, said that Mr. White had

Israel Says No Plan Received

Egypt Said Offering TUNEDO ESCORE. T Linkage Concessions Linkage Concessions

#1 MICRNATOR _ JERUSALEM, Nov. 27 (AP) — Egypt is offering two concessions in exchange for Israeli acceptance ON CONTACT of a timetable for Palestinian self-rule in the Gaza Strip and the West Bank of the Jordan River, the Jerusalem Post's Cairo correspond-

IN TONDON ent reported today. The report said that Egypt is pre-XM LA PARSEE pared to extend by three months the deadline for Israel's preliminary withdrawal from the Sinai and also is willing to join Israel in formulating a peace treaty provision that would insure against any collapse of the treaty in case the autonomy plan for the West Bank proves objectively impossible to realize."

The paper said that its informa-tion came from a well-placed source who has access to President Anwar Sadat of Egypt and who ON COOKS was speaking "on the highest note in loss authority.

Israeli officials said that the proposals had not been received by the government.
"Once such an idea will be put INCH ECON A

forward through official channels, and author authorise it will be discussed," an official SECRET RESEARCH

Israel has vetoed Egypt's deactivities of mand that the peace treaty include a timetable for Palestinian self-rule. Cost work that such a linkage would allow Egypt to back out of the treaty if the timetable is not fula coort out filled. PARTINE IN THE

Israel Letter Diplomacy

... OINEVA '

VOLK CEFAL

East peace talks with Egypt, may seek relegation of controversial issues to letters accompanying an Israeli-Egyptian treaty, government

sources said today.
Such letters could include the thorniest issue blocking the treaty talks — the question of whether to link a Egyptian-Israeli treaty with a timetable for Palestinian self-rule on the occupied West Bank and he had fathered

he had fathered.

The child's legitimate parents, Grace and Timothy Stoen, had been highly respected members of the People's Temple, and Mr. Jones considered them the two people most knowledgeable about the inner workings of the organization. After they left the temple in 1976 and last year, the Stoens launched a bitter custody fight to regain their son from Mr. Jones, and they were son from Mr. Jones, and they were a major factor in prompting Rep. Leo Ryan's mission to Guyana.

Rep. Ryan, D-Calif., was among five persons who were shot and killed on an airstrip in Guyana after visiting the People's Temple camp. The deaths of more than 900 cult members were triggered by the airstrip attack.

For Mr. Jones, the battle with the Stoens for custody of the child apparently became the ultimate symbol of his life-and-death struggle against defectors, with the very existence of his congregation hanging in the balance.

It was Mr. Jones' fear more than a year ago that he was in danger of losing John Stoen to his parents that prompted Mr. Jones' first threat to order mass suicide in his Guyana congregation, according to



Tim Carter and others tell of life at James.

Charles Garry, an attorney who was representing the cult.

According to the source close to the cult, it was Mr. Jones' conviction that the Stoens were on the verge of winning their custody bat-tle that was the key element in his decision to destroy his movement. During Rep. Ryan's visit, it appeared that a number of cult

(Continued on Page 2, Col. 5)

Cheaper Dollar and Lower Fares Increase Tourism to U.S. by 7%

WASHINGTON, Nov. 27 (AP) - Lower air fares and a cheaper dollar are bringing record numbers of tourists to the United States this year, the U.S. Travel Service says.

In the first six months, travelers to the United States numbered 8.6 million, an increase of 7 percent over the same period last year, the agency said. "The heavy devaluations of the U.S. dollar are stimulating large number of travelers to visit the U.S.A," it said.

The report found that foreigners spent \$3.5 billion, 17 percent more than during the first half of last year. "Large increases were evident in spending by visitors from Western Europe, up 36.4 percent; Japan, up 22.8 percent, and Latin America, up 17.4 percent,"

British travelers spent 80.3 percent more, "using the savings gained from the purchase of low charter and promotional air fares on additional goods and services in the United States," the agency

American tourists abroad were still outspending tourists visiting the United States by \$2 billion, however. Most of the difference was paid to foreign airlines and travel agents, the agency said.

For all of this year, 20 million tourists are expected to visit the United States, a 7.7-percent increase that is just above the average annual increase for the last six years. Countries with the most visitors in the first six months are: Canada, 5.2 million; Mexico, 1 million; Japan, 411,108; United King-

dom, 303,150; West Germany, 199,426; France, 102,618; Venezuela, 91.705; Australia, 78,301; Italy, 65,443. Based on polls taken abroad last year, foreigners listed the following places, in order, as the ones they would most like to see: the Far West, the Northeast, the South, the Southwest, the mid-Atlantic region, and the Atlantic and the Pacific islands. The Great

Lakes, the Mountain West and New England were of least interest.

Palestinians Allege Arrests for Dissent

Crackdown Is Reported in West Bank

By William Claiborne

RAMALLAH Israeli-occupied West Bank, Nov. 27 (WP) - The Israeli occupation government on the West Bank of the Jordan River is attempting to suppress outspo-ken criticism of the Camp David accords and has recently arrested 15 vocal opponents of the West Bank autonomy plan, according to Palestinian Arabs interviewed here.

The arrests, coupled with Pales-tinian complaints of other forms of harassment of West Bank residents opposed to the Egyptian-Israeli peace plan, appear to signify a de-parture from the post-Camp David Israeli policy of permitting Pales-tinians to express their views on the autonomy proposal without fear of interference by the military author-

JERUSALEM. Nov. 27 Six Arabs active in a moderate (Reuters) — Israel, in an effort to civic club, which is affiliated with break the impasse on its Middle the Greek Orthodox Church, were

and supporters of IRA prisoners in

the Maze marched peacefully

through Armagh, 30 miles west of

Belfast, in support of the prisoners'

demands to be treated as political

detainees.
The 1,500 Republican and Prot-

estant priosners convicted of terror-

arrested in their homes late last al suspicions of their belonging to week and early yesterday. They, the el-Fatah guerrillas or other illealong with the brother of one of gal organizations but dwelled incharges because they have spoken toward Camp David. out against the autonomy plan,

their relatives said. At nearby Bir Zeit University, eight students were arrested, al-legedly because of their anti-Camp David views. Four of them were being held under administrative de-

tention by the Israeli Army. Torture and Abuse

David treaty. The students said that the inter-

Some of the four who have been released said that they were interro-gated at length about the attitutes of acquaintances toward the West Bank autonomy scheme and were tortured and otherwise physically abused when they refused to support the provisions of the Camp

rogations did not focus on the usu-

them, are being held without stead on West Bank attitudes

that and as I have always said we military government yesterday de-nied that the arrests had anything to do with political beliefs and said that the Palestinians were arrested Since the basis of the arrests were "security grounds," the spokesman said, the army could not discuss what terrorist activity was alleged.

against them.

University complained that an an-nual "Palestine Week" scheduled could not participate.

"They [the occupying officials] seem single-mindedly interested in the reactions of the students to the autonomy plan," said Wasif Abboushi, a Bir Zeit professor. (Continued on Page 2, Col. 4)

Rhodesia Rebels Raid Bar, Kill 3

Police quoted witnesses as saying that two gunmen burst into the beer hall and immediately opened fire with automatic weapons into

escape, police said.

Tanaka, who was forced to resign after a money-and-politics scandal in 1974. Mr. Tanaka, who is also

he apparently used all his resources

sented a show of force by his long-time rival, former Premier Kakuei the 47 prefectures where Mr. Tana-ka is still revered. Ohira's group, enabling it to call vass extensively among voiers.

Concedes Post to Ohira

Japan's Premier Defeated

In Party Leadership Vote

It developed into a dirty campaign, with Mr. Fukuda implying last week that the Ohira and Tanastill on trial in the Lockheed scan-dal, retains a sizable following in ka forces were using money and the Liberal Democratic Party, and other means to win votes among e apparently used all his resources party members. It was also charged that someone had illegally leaked Mr. Ohira ran strong in many of the list of party members to Mr.

Mr. Ohira's ascendancy is not exin Japanese policy. With minor dis-agreements, he has generally fol-lowed lines had down by Mr. Fukeda's administration and the campaign exposed few polici-differences between them. Mr.

(Continued on Page 2, Col. 1)



Masayoshi Ohira speaks in front of a one-eyed Dahma doll at a news conference yesterday in Tokyo following his victory over Premier Takeo Fukuda in Liberal Democratic Party elections. It is a Japanese tradition that another eye of the doll is filled in after a person's wish is fulfilled.

Teng Emphasizes Agreement With Hua 'Over Everything'

By Fox Butterfield

HONG KONG, Nov. 27 (NYT) - In an apparent effort to dampen speculation over the existence of a power struggle in China, Deputy remier Teng Hsiao-ping said today that he and the Communist Party chairman, Hua Kuo-feng, had "always been in complete agreement over everything" and that he had refused an offer to take over Mr. Hua's other job as pre-

Later this evening, a crowd of several thousand youthful Chinese marched through central Peking chanting "Chinese democracy, long live democracy!" The march followed a bizarre episode in front of spot used to put up dozens of wall posters during the past week. A large number of Chinese had gathered there to wait for Robert Novak, the American columnist, who had promised them in a meeting yesterday that he would return tonight after talking today with Mr.

Teng.
Mr. Teng's comments about the political situation, which left many critical questions unanswered, were made to Mr. Novak. Mr. Novak did not appear

Starving, Forced Labor Charged



tonight, but sent a message through another journalist saying Mr. Teng had told him the wall posters were "a good thing." That brought a loud cheer from the crowd, which perched in trees, sat on walls and had been singing China's national anthem and "the Internationale." The message, however, also quoted Mr. Teng as saying that some of

moderate, pragmatic policies, however, the government reaction was still subtle and accommodating rather than a heavy-handed supthe statements in the posters were pression. Mr. Teng told Mr. Novak that a high-level party meeting was currently taking place in Peking. He said it had the basic aim of ex-**Rights Group: China Executed Foes** amining the country's moderization program and would also "sort our some much less important

> What these were he did not say, but it is widely believed that the party hierarchy is debating what to do about Mr. Hua and several other ranking officials who gained power through the Cultural Revo-lution and their association with

not correct, which aroused groans

of disappointment from the listen-

ers. Mr. Teng particularly pointed

to criticism of the Mao as being

their march, borrowing the slogan

about democracy from a poster

which appeared this afternoon and

which bore the hallmarks of being a

government document, according

to diplomats. The new poster, done

in a more professional style then the earlier ones, said: "China will declare to the world that China

from the center to the grass roots is

stable and united."

The poster added that the Chi-

nese people would resist efforts to

"chop down chairman Mao" and

that China did not need a "Hyde Park kind of democracy." Both the new poster and Mr. Teng's remarks

earlier in the day suggested an at-

tempt by the party leadership to head off the sudden wave of de-

mands for democracy and criticism

of a number of Chinese officials be-

fore they went too far.

In keeping with Peking's new

Afterward, the people began

There has been speculation that (Continued on Page 2, Col. 3)

De Guiringaud

would resign shortly at his own wish. "It is true that I am now at the end of the mission with which the president of the (French) republic entrusted me, a mission which I had always hoped would be temporary," he said at a dinner in his honor in Bonn.

talks with Chancellor Helmut Schmidt and Foreign Minister Hans-Dietrich Genscher in preparation for next week's European Economic Community summit in Brussels. Mr. de Guiringaud, 67, a career diplomat, did not say when he would step down.

Deputy Governor of Jail Shot to Death in Belfast BELFAST, Nov. 27 (UPI) - The aside and sprayed more than a doz-

YOUR DOOR! deputy governor of the Maze prison was shot to death yesterday through a glass-paneled door into hours after a big Republican parade in support of Irish Republican the living room where no was and the living room where the living room where no was and the living room where the living iail, the main detention center for prisoners held in connection with political violence.

> Two teen-aged gunmen called at the home of Albert Miles, 50, police said. They brushed his wife

W. German Lawyer **Cleared of Charges**

West German court today acquit-ted Hamburg lawyer Wolf-Dieter Reinhard of charges that he supported a terrorist gang. The court found the prosecu-

HAMBURG, Nov. 27 (AP) — A

ist offences have been campaigning for special treatment for two years. In the last attack on a prison tion's chief witness, Juergen Bodeux, not sufficiently trustworthy.

two years.



Albert Miles

ly wounded two weeks ago as he was riding home from work. Earlier in the weekend, an IRA member, John Duffy, was shot to death by troops as he visited a house used as an IRA arms dump. An army spokesman said he was officer, a young prison orderly at challenged and shot by troops as he Belfast prison was shot and severe- was about to pull a gun on them.

A spokesman for the occupying

should respect the results of the first election and I will do exactly that. My decision is that I will not be a candidate in the main election and for today that's good enough."

Mr. Fukuda's defeat also repre-

Under occupation law, persons suspected of being security risks can be held indefinitely without having formal charges brought

Faculty members at Bir Zeit this week at the campus was virtually ruined by the military authorities, because several prominent guest lecturers who had planned to discuss West Bank autonomy were told by Israeli authorities that they

GWELO, Rhodesia, Nov. 27 (AP) — Two black guerrillas opened fire in a crowded beer hall in black Mkoba township here dur-ing the weekend, killing three persons and injuring two, police

the crowd of 600 blacks Two men died instantly and panic-stricken patrons scrambled through doors and windows to

Chinese authorities have executed dividuals the right to deviate from said. "If, on the other hand, they nents in the last two years, Amnes-ty International said today. standards of behavior defined by official policy." complain, are slow at work or are Amnesty International is a reform' and are punished in various

China are starved systematically, beaten frequently, restrained in handcuffs or in chains and held in science. It said that it submitted a draft It said that they are to forced

farms and prison camps, and that some are "retained," or forced to work, indefinitely in penal establishments at the end of their prison Political trials are a formality

Executions Since 1976

"Since the purge of the 'Gang of Four' [a Politburo clique led by the al labor and that "hunger is a wife of Mao Tse-tung] in October. feature of their lives." 1976," it said, "many notices have appeared in the main Chinese cities suggesting that a large number of executions have been carried out since the end of 1976, not only for crimes such as murder, rape, robbery and other criminal offenses, but also sometimes for political

"Arrests on political grounds are continuing," the report said, "Official documents alone present suffi- for the presidency said today. No

political offenders results from a they are trying to make up for their consistent policy of denying to in- past crimes or mistakes," the report

It said that political prisoners in worldwide nongovernmental human-rights organization working for the release of prisoners of con-

> of the report to the Chinese government in June for comments and corrections but received no reply.

12-Hour Workdays

Prisoners usually are made to work up to 12 hours daily and sometimes longer. The hardship and are held only after prisoners sometimes longer. "The hardship have "confessed," Amnesty International said in a report on political imprisonment in China.

sometimes longer. "The hardship caused by forced labor is officially regarded as an integral part of the prisoner's reform." Amnesty International said. It said that most prisoners receive less than the minimum food needed for heavy manu-

'Prisoners are expected to accept hard work and suffering without complaint as an indication that

Kissinger-Giscard Talks PARIS, Nov. 27 (AP) - Former

U.S. Secretary of State Henry Kissinger will meet with President Valery Giscard d'Estaing here Thursday morning, a spokesman cient evidence that the treatment of reason for the meeting was given.

The report said that prisoners criticized for misdemeanors have to adopt a "humble attitude" to be "forgiven," and that lack of humility is punished. "Officials in penal institutions occasionally use handcuffs and fetters to break the resistance of an offender," it said, and nonconvicted detainees have been handcuffed "to hasten confession."

judged to have a 'bad' attitude,

they are classed as resisting

ways, the ultimate punishment

being increase in sentence."

Public Executions

The report said that public executions by shooting sometimes take place in front of hundreds or thousands of people. "Trials are a mere formality:

Rather than 'trials' they are, in fact, meetings to announce the sentence." it said.

Political prisoners are subjected to compulsory "political educa-tion," the report said, and "mutual denunciations [by prisoners] are, like self-criticism, compulsory." It reported cases where prisoners were subjected to "struggle sessions" with groups of other prisoners, during which they were forced to kneel and were humiliated and kicked.

To Quit French Foreign Ministry BONN, Nov. 27 (Reuters) — French Foreign Minister Louis de Guiringaud said tonight that he

Mr. de Guiringaud, earlier had

members, including the child, would commit the ultimate sin and

brought up in the teachings of the temple, and raised by her. Mr. Jones and other members of the

congregation. In 1974 and 1976. Mrs. Stoen signed documents, later

ruled invalid, granting custody of her son to the People's Temple.

Mrs. Stoen, however, became in-creasingly disenchanted with Mr.

Jones' operation of the church. In a

court declaration last year, she charged that members of the

church were subjected to beatings and public humiliation, and that Mr. Jones became consumed by a

"claimed at various times to be the reincarnation of Buddha, Jesus Christ and Lenin."

"Thoroughly disillusioned," she stated, she "secretly departed" from the church in July of last year.

leaving behind her son and hus-

band. Four months later, Mr. Jones

sent the child to Guyana.

After what she said were repeat-

ed unsuccessful efforts to persuade

her husband and Mr. Jones to give back her son, she filed for divorce and custody of the child in San

Francisco Superior Court in Febru-

legal wrangling over the case, ac-cording to her attorney. Jeffrey Haas, that Mr. Jones first made the allegation that he was the natural

father of the child. The claim was heatedly denied by the Stoens,

however, and was not an issue in

On Aug. 26 of last year, Mrs.

Stoen obtained a preliminary ruling

from Superior Court Judge Donald

King in San Francisco granting her custody of the child and ordering

Mr. Jones' appearance in court.

Armed with a judge's order, Mr. Haas said that he went to Guyana

to begin court proceedings there, and to secure the child's release

from Jonestown, the cult's head-

It was Mr. Haas appearance and initial success in the Guyanese

courts in September of last year

that reportedly led Mr. Jones to is-sue his first threat of destruction.

Charles Garry has said that he was

contacted at the time by the San

Francisco temple office and told that Mr. Jones had threatened to

2 Czechs, Poles

Join in Appeal

For a Dissident

VIENNA, Nov. 27 (AP) - Two

leaders of the Charter 77 movement

for more human rights in Czecho-

slovakia and Polish rights activists

have jointly sent an open letter to

their parliaments demanding the

release of Jaroslav Sabata.

Czechoslovak dissident sources

said here today.

Mr. Sabata is one of the three

Charter 77 spokesmen. The letter

was signed by the two other spokes-

men. playwright Vaclav Havel and

Ladislav Hejdanek. The names of the Polish signers were not dis-

been reported arrested Oct. 1 near the Czechoslovak-Polish frontier as

he was about to meet with Polish

activists. He apparently has been in

pean leaders including British Prime Minister James Callaghan,

Austrian Chancellor Bruno Kreisky

and the West German Socialist

leader. Willy Brandt, to help Mr.

Reports Plan on

New Negev City

TEL AVIV, Nov. 27 (UPI) - Is-

raeli national radio, basing a report on a leaked Housing Ministry inter-

nal memo, said yesterday that Isra-

el plans to build a city in the Negev Desert to replace Yamit in the northeastern Sinai, which is to be

evacuated as part of the peace trea-

ty with Egypt.
The radio report said that the

ministry also wants additional set-tlements to be built in the Gaza Strip to help relocate the 400 fami-

The city is to be southeast of Israel's northern Sinai settlements

on a tract of barren desert called

Nitzana and will lie on the new border with Egypt after a full with-drawal from the Sinai. Two roads will be built through

the desert for the city, the radio

said, one from the Negev capital of Beersheba west toward Nitzana.

the other along the new border from the end of the Gaza Strip to

Eilat at the southern tip of Israel.

Thai Official in Britain LONDON, Nov. 27 (UPI) - Thailand's Foreign Minister Up-

padit Pachariyangkun arrived to-

day for a three-day visit and talks

with British government ministers.

lies settled at Yamit.

Israel's Radio

The Czechoslovak dissident had

People's Temple attorney

the custody proceedings.

It was in the course of protracted

ary of last year.

"paranoid world vision"

leave the church.

Whites Leaving Rhodesia At Record Monthly Rate

Amin Says **Tanzanians** Take Town

NAIROBI. Nov. 27 (UPI) — Ugandan radio reported today that the Ugandan government accused Tanzanian forces and mercenaries of crossing into Uganda and cap-turing the border town of Mutuku-

The Uganda Broadcasting Corp., monitored in Nairobi, reported that the Ugandan southern command had sent a communique to Kampala saying that Tanzanian forces and mercenaries today "recaptured" Mutukula — "after heavy artillery bombardment of the town, which only had a few soldiers guarding it." The radio said, "Tanzanian forces are advancing inside

Mutukula is about 100 miles (160 kilometers) southwest of the Ugandan capital.

On Oct. 30, about 3,000 Ugandan troops crossed into Tanzania, captured a 710-square-mile salieni and held it for two weeks. Tanzania has asserted that 40,000 residents escaped the Ugandans, leaving behind 5,000 to 10,000 unaccounted

for and feared dead.
Yesterday. Ugandan radio alleged that Tanzania had bombed Sango Bay, north of the Kagera River, and it elaborated on a bombing report of Friday, saying that Tanzanian aircraft damaged Mutukula prison in an air raid and bombed the Tanzanian border village of Minziro three hours later.

In Dar es Salaam, the Tanzanian government newspaper, the Daily News, in a report by its correspondent who accompanied Tanzanian troops to Minziro after it had been evacuated by Ugandan units.

"It appears that Amin's troops committed their worst atrocities here. We saw many bodies of peasants whose legs and arms had been tied with ropes. Others were hanging from roofs of houses and from trees. Many others were crushed by tanks and APCs [armored person-

SALISBURY. Rhodesia. Nov. 27 (UPI) — The government today reported the highest monthly white emigration rate in Rhodesia's history.

The monthly digest of statistics said that 252 whites immigrated in October while 1.834 — an unprecedented number — left. That left a negative balance of 1.582.

The previous record loss of this year was 9.104 compared to 9.295 for the same period last year. The current rate, however, indicates that the total loss of whites through emigration for 1978 will exceed the 10,908 record figure of the preceding year.

Whites — believed to number about 20,000 in this land of more than 6.5 million blacks — have

dented number — tert. That let's a negative balance of 1.582.

The previous record loss of whites through emigration — 1.490 — was recorded in September.

The loss of whites through emileagues on the interim government's ruling executive council to await the results of efforts aimed at achieving a peaceful majority-rule

The record emigration rates have caused serious concern among gov-ernment officials because whites run the armed forces and the civil service and fill the vital professions.

Kaunda Takes Tough Line

LUSAKA, Zambia, Nov. 27 (Reuters) — President Kenneth Kaunda has invited white farmers iving in Zambia to leave if they believe the country cannot do without

"If you think you are here to grow maize, get out." Mr. Kaunda said, "If this is their [white farmers] thinking they can get out of Zam bia before the next rainy season."

Mr. Kaunda's speech was reported by the official Radio Zambia

and officially controlled press today. It was the toughest line he has taken against the farmers since Rhodesian raids on Oct. 19 and Nov. 2 sparked anti-white feelings.

There were cases of Zambians mobbing whites while Rhodesian nationalist guerrillas based in Zambia abducted white farmers and in terrogated them over whether they were Rhodesian collaborators.

Some farmers at Ngwerere, 12 miles north of here, reacted angrily to the abductions and threatened to stop planting unless the guerrillas of Joshua Nkomo's Zimbabwe African Peoples Union (ZAPU) were moved away from their farms.

But Mr. Kaunda, who has already said that pressure of this kind is unacceptable, said that those who thought they had special status were not welcome in Zambia. The farmers' main organization, the Commercial Farmers Bureau, last week disassociated itself from the Newerere threat.

Spanish Aide Sees Rees

LONDON, Nov. 27 (UPI) -Spanish Minister of Interior Rodollo Martin Vila paid courtesy calls today on Home Secretary Merlyn Rees and Foreign Office Minister of State Frank Judd. Mr. Martin Vila took part this weekend in a seminar on terrorism near Oxford.

Japan's Premier Defeated In Party Leadership Vote

(Continued from Page 1)

Ohira's main point of attack was a claim that Mr. Fukuda used too much force and confrontation in dealing with opponents, including the opposition parties. Mr. Ohira promised to stress negotiation and compromise and to seek to develop a consensus with the opposition

Few Differences

Mr. Ohira. 68. and Mr. Fukuda both began their careers as bureau-crats in the Finance Ministry, Some commentators have described Mr. Ohira as a bit more liberal in do-

EEC Reaches 'Furthest Limit' With Comecon

BRUSSELS, Nov. 27 (AP-DJ) -The European Economic Community said Saturday that it had reached its "furthest limit" in concessions to the Soviet-led Comecon and that the next move in negotiating any mutual recognition agree-ment was up to the Comecon side.

At a news conference at the end of five days of talks. EEC external affairs commissioner Wilhelm Haferkamp said three new European proposals made Friday were "the extreme limit of compromise to which we can go."

The talks on recognition between the blocs have gone on for five years. The EEC proposals would have moved the mutual recognition agreement closer to a trade pact, which Comecon desires, without formally deciding trade questions.

OF ALL the fabries used for making up

wool mixture for softness and lightness.

winter suits, few can touch a mink-and-

It is made of fine merino wool fibers

closely blended with natural mink fur,

mestic policy than Mr. Fukuda. Mr. Ohira has not been quite as in-tent as Mr. Fukuda on generating interest in building Japan's defense forces. But on the whole their differences are small.

what direction his government would take. He said his first task face Japan's domestic and interna-

before the second election. He said he thought Mr. Fukuda had done so to avoid chaos in the party, re-ferring to the possibility of a bitter struggle if the choice had been left to Liberal Democratic Party mem-

bers of parliament.

Spokesmen for Japanese business interests last night generally expressed approval of Mr. Ohira. calling on him to lead a campaign to control inflation and promote

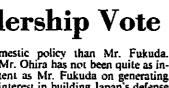
India Longshoremen Cease 11-Day Strike

NEW DELHI, Nov. 27 (UPI) -

major ports.
The All India Port and Dock

Suits: the astonishing comfort of

a mink-and-wool mixture



Mr. Ohira holds the influential position of secretary-general of the Liberal Democratic Party. He declined to speculate last night on was to unite the party in order to

tional problems.

Mr. Ohira expressed gratitude that Mr. Fukuda had withdrawn

India's longshoremen today called off their II-day strike that had crippled operations in the nation's

Workers federation, which claims to represent a majority of India's estimated 250,000 longshoremen, struck for higher wages, removal of discrepancies in salary structures and better working conditions.



Nixon Cites de Gaulle Inspiration

PARIS, Nov. 27 (AP) — Former U.S. President Richard Nixon today called Charles de Gaulle one of the leaders he most admired, and said that the late French president foresaw Mr. Nixon's political future even in his dark days of the earlv 1960s.

Mr. Nixon said that of all the foreign leaders he had met "I would say that Gen. de Gaulle was perhaps the one that most inspired me."

His comments were made after a 35-minute visit to the Charles de Gaulle Institute.

where he met with the French leader's son. Vice Adm. Philippe de Gaulle, and visited the office where de Mr. Gaulle wrote his memoirs.

Mr. Nixon is in Paris to appear on a television question show tomorrow evening. He said that Adm. de Gaulle

reminded him of the occasion in 1963 when, at a private lunch in Paris, Gen. de Gaulle proposed a toast in which "he said he thought I had, in effect, an op-portunity for leadership. At the he did prove to be right.'

Teng Stresses Agreement With Hua on 'Everything'

(Continued from Page 1) Mr. Hua might lose his post as premier because he was originally ap-pointed to it by Mao himself in a controversial move in April, 1976, on the same day that Mr. Teng was purged. Mr. Teng's comments today were evidently considered high-ly significant by Peking because the government took the unusual step of disclosing them to the press

According to Agence France-Presse, which reported Mr. Teng's remarks, they were divulged by 'senior sources present at the interview." The ranking Chinese official there was the director of the information department of the Foreign Ministry, Chien Chi-chen.

But Mr. Teng's statements seemed less than fully candid. Only yesterday, he said to a group of visiting Japanese that Mao had been "seriously ill" when he proposed that Mr. Hua be premier and had Mr. Teng ousted. In that inverview of following legal norms, the party leadership may feel in page 1. Mr. Teng said, ambiguously, that leadership may feel it necessary to the 1976 decision was "wrong" and must now be corrected. It was impossible to tell whether Mr. Teng tion like reviewing the April, 1976, meant both the decision firing him and appointing Mr. Hua or only one. In explaining how these deci-

sions had been reached. Mr. Teng said vesterday that Mr. Hua had had little access to Mao at the time and did not know what was going on. But this attempt to absolve Mr. Hua must raise further doubts in the minds of many Chinese. For they have been repeatedly told that shortly after Mr. Hua was named premier Mao invited him to his study and told him. "with you in charge. I'm at ease." Paintings of this reported scene have been reproduced by the millions and hang in many Chinese homes. Mr. Hua's appointment as pre-

Steel Lockout Is Threatened in North Germany

KREFELD, West Germany, Nov. 27 (AP-DJ) — Employers in the West German iron and steel industry said tonight that they would lock out about 28,000 employees starting Friday in response to a strike by steelworkers in North Rhine-Westphalia, Bremen and Osnabrueck

The strike is scheduled to begin tomorrow.

The IG Metall trade union officially rejected an improved offer from the management of the steel industry and said it would go ahead with its planned strike. The union is seeking the gradual introduction of a 35-hour week and a 5-percent pay rise for 220,000 steelworkers.

woven together by a special technique.

So that the cloth can keep its extraordi-

narily soft feel, it is then washed in pure

We have a number of models in dif-

ferent shades, most in small designs of the

2, rue Cambon, Paris 1er - tel. 260.38.83.

Alpine glacier water.

herring-bone type (# 2,390).

mier, and also as vice-chairman of the party, occurred two days after the large demonstration in Peking's Tienammen Square honoring Chou En-lai, who had died three months before. At the time the incident was labeled counterrevolutionary and blamed on Mr. Teng, but this verdict was reversed last week.

It may be that Mr. Teng and Mr. Hua now do get along well. as Mr. Teng insisted. But the whole epi-sode of April, 1976, remains Mr. Hua's cross to bear and he seems unlikely to escape from the predicament easily. According to the sen-ior Chinese official who reported Mr. Teng's interview with Mr Novak, Mr. Teng said the current party gathering was not a plenary session of the Politburo.

That left the possibility that it might be a special meeting to pre-pare for a full session of the larger decisions.

West Bank Crackdown

(Continued from Page 1) "We're used to harassment, but

there seems to be a new motivation for it now." Bir Zeit, with an enrollment of

1.200 Palestinian students, has long been regarded by Israeli authorities as a breeding ground for radical West Bank Arabs and a staging area for terrorist activities.

However, the Orthodox Club of Ramallah, while well known as a discussion center for West Bank nationalists, has not been associated with terrorist activity, and its imprisoned members, according to relatives and friends, do not have records of terrorist activity.

The club members arrested are generally middle class and business-oriented, with the common denominator seeming to be their vocal opposition to autonomy during recent meetings of the club.

Other members of the Orthodox Club said that there had been considerable discussion about Camp David at recent meetings of the group, and that they assumed the military authorities had informants at the sessions.
Immediately after the Camp Da-

vid accords were signed on Sept. 18. military authorities noticeably eased restrictions on West Bank political meetings and even appeared to encourage a dialogue among Palestinian Arabs.

Israeli Defense Minister Ezer Weizman, according to government sources, personally approved free West Bank expression on autonomy and ordered that public meetings be permitted. Some Palestini-

ans began calling the policy the "Prague Spring" of the West Bank. The first hint of renewed restrictions occurred on Nov. 18, when a deputy defense minister. Mor Dechai Zipori, publicly warned that the government would not coutenance meetings that were apt to arouse "unattainable expectations and encourage feelings in Isra-el which will not contribute to peaceful coexistence."

Five days later the occupying government announced that political railies would be permitted only if their organizers obtained per-mits. The organizers complained that they were required to submit in advance an outline of what was to be said, and that if the program included anti-autonomy speeches, permits were denied.

Marcie, in Chicago and "made a telephone radio patch to Jones-

The punishment of the group was therefore deemed necessary by Mr. Jones, who, according to the source, proclaimed the mass suicide as the "will of the people."

The importance of the Stoen family in the supplying of the 'I told Jones it was madness." Mr. Garry said. "He said the peo-ple had demanded [suicide] and that he, as their leader, had to give

family in the evolution of the People's Temple dates to 1970, when Grace Stoen joined her husband as a member of Mr. Jones' congregation in Ukiah, Calif. Timethy Stoen in Ukiah, Calif. Timethy Stoen in Ukiah, Calif. Timethy Stoen in Ukiah, Calif. Supporting Mr. Garry's version of the events is a sworn affidavit made in June by Deborah Blakey. othy Stoen, who was then in his early 30s. rose quickly in the ranks

the group's former "finance secre-tary." Miss Blakey, who was in the group's San Francisco office during of the church, becoming the temple's prime legal counsel and a trusted adviser to Mr. Jones.
On Jan. 25, 1972, Mrs. Stoen gave birth to a son. The child was

made available to The Associated Press.

order mass suicide if the Stoens the September "crisis," said that were not stopped. Mr. Garry said Mr. Jones was bitter over Mrs. that he met with Mr. Jones wife, Stoen's defection and fearful of Stoen's defection and fearful of what Mr. Stoen, who was then defecting might say about the cult.
Mr. Jones "believed that he would
be able to stop Timothy Stoen."
Miss Blakey said, "from speaking against the temple as long as the child was being held in Guyana."

Disputed Child Held Key to Cult Deaths

Soviet Aide Said to Have Spoken

Of Mass Exodus of Cult to Russia

GEORGETOWN, Guyanz, Nov. 27 (AP) - Aides to cult leader

James Jones conferred at least twice in Georgetown with an official of the Soviet Embassy about the possibility of an exodus of the

Jonestown colony to the Soviet Union, according to a document

Mr. Jones' aides also discussed the "quick transference of money" from Jonestown to the embassy to facilitate such a move,

according to the document. A few months after the meetings, Mr.

Jones instituted compulsory study of Russian for the approximately a thousand members of his People's Temple in Guyana, demanding that each speak a phrase in Russian before each meal.

A five-page, typewritten memo found in the house where Mr. Jones lived revealed that aides of the cult leader met in Georgetown

with Feodor Timofeyev, press attache to the Soviet Embassy, last December and again on March 20.

The memo said that the cultists discussed the possibility of mov-

ing to the Soviet Union at the December meeting, and that Mr. Timofeyev referred the matter to Moscow. At the meeting in

March, according to the memo, he said that he still had not received a reply. The memo added that Mr. Timofeyev told them

that there would be "no problem of getting visas at any time" for a

ment's treasurer ordered them during the death ritual to take a suitcase "to the embassy." They thought that she meant the U.S.

After they left, they opened the suitcase and found \$500,000 in cash, gold and jewels and a letter addressed to the Soviet Embassy.

One said that they abandoned the suitcase and fled into the jungle.

Three survivors of the mass suicide-murder said that the settle-

delegation to visit the Soviet Union to discuss the matter.

With the arrival of Mrs. Stoen's attorney at Jonestown, Miss Blakey recalled, "the radio messages from Guyana were frenzied and hysterical." She and another temple mem-

phone call to a high-ranking Gu-yanese official who was visiting the U.S. and deliver the following threat: Unless the government of Guyana took immediate steps to stall the Guyanese court action regarding John Stoen's custody, the entire population of Jonestown would extinguish itself in a mass suicide by 5:30 p.m. that day."

Mr. Garry and Mr. Blakey stated that after the suicide threat they tried to contact Guyanese officials in an effort to stop the court action on behalf of the Stoens. It was "basically at that point," according to Mr. Haas, that "the court process shut down" and the Stoens legal efforts to regain the child came to a

The Stoens turned to the U.S. State Department and members of Congress to pressure the Guyanese government and get the legal pro-ceedings moving. Their efforts bore no fruit until last August, when Mrs. Stoen found a receptive ear in Rep. Ryan.

Meetings With Ryan

Mr. Haas says that Mrs. Stoen "met with Leo Ryan two or three times" to plend her case and describe her experiences. She was "one of the central figures" in Rep. Ryan's decision to lead his factfinding mission to Jonestown, ac-cording to Mr. Haas. The Stoens also traveled separately to Guyana during Rep. Ryan's visit.

According to the source close to the cult, the threat that Rep. Ryan's mission would reopen the release of the child, along with Mr.

Jones' fear of other defections,
triggered the "punishing mechanism" and the collective suicide of

the Jonestown congregation.

Six-year-old John Stoen was among the victims of the mass poisoning. Grace and Timothy Stoen, according to Mr. Haas, are now in the San Francisco Bay area. They could not be reached for comment

They Called Jones 'Dad'

Survivors Tell of Leader and His Flock not help himself. He was a poor of a cottage for younger girls. His mother had been instrumental in

By Jon Nordheimer

GEORGETOWN, Guyana, Nov. 27 (NYT) — "It may sound funny," said Tim Carter as he slumped in a chair on a veranda of an ancient colonial hotel and reflected on James Jones, "but I never once thought he was crazy until I saw my wife and 15-month-old son dying of convulsions last Satur-

Looking back on it, after the events at the People's Temple jungle commune at Jonestown, the strange behavior that had become a part of everyday life for the sect has taken on new meaning and shadings for the survivors.

There was the leader who wanted to be called "Dad" by his flock, "Dad knows best," the people would say when there was disagree-ment inside the commune. Just do as Dad tells you."

That was the approach Mr. Jones late the men of Jonestown." Mr. Jones would claim a sexuality superior to that of all men everywhere, according to Mr. Carter.

"Everyone had to admit they were homosexual, even the women." said Jerry Parks, whose wife was killed along with Rep. Leo Ryan, D-Calif., and three U.S., newsmen when cult members tried to prevent the Parkses from leaving the commune, the incident that triggered the mass murder-suicide at Jonestown.

"He was the only heterosexual, that's what he said," said Mr. Parks, who had furned over his home and everything he owned in California to the People's Temple. Yet Mr. Jones was also a bisexual who had relations with some men in the commune, according to Mr. Carter.

custody ever since.

Mr. Havel, Mr. Hejdanek and 50 other Charter 77 supporters appealed earlier this month to Euro-"He had unlimited power in Jonestown," said Chris O'Neal, "He had set up his own empire and he could do just about anything he wanted and no one could stand in his way. Strength Applauded

Not only did most of the Jones-

town residents not complain, they applauded his strength. Why had they done it? It was a question no one could adequately answer as the dazed survivors prepared to piece together new lives from the wreckage they carried from Jonestown.

"This is an example of what some Americans will subject themselves to in order to bring some structure to their lives," said Sherwin Harris, a nonmember who had lost his 21-year-old daughter and former wife in the the convulsion of death: "We do so many things in our society that detract from the value of the family that people want the state, or an individual, to do everything for them." Mr. Jones called himself a social-

ist: his son said that he had become a fascist by the time he died. Whatever the label, he embraced a form of totalitarianism that reduced the lives of his followers to useful instruments to serve a single master. Such was his control that in a

matter of hours on a single day he could use this power in a murderous confrontation with outsiders, and then turn it against himself and his followers.

Odell Rhodes believed that he

youth and he had epilepsy. Mr. Jones had seemed so kind, "so fatherly," in California. The slides and film clips of Jonestown looked beautiful. He arrived in Guyana brimming with good cheer and dedication seven months ago.

"Jones met us at the gate of Jonestown," he recalled. "He was all smiles. The smiles stopped. Mr. O'Neal

discovered he was in a prison. "Once you got here, you kicked yourself in the pants for getting yourself in this mess." Mr. Carter was heavily involved in drugs in California. His mother died when he was 15; his father was

an alcoholic. He had been with the Marines in Vietnam. "There's no question that Jim Jones was a father figure for most of us." he said. "Some felt it more strongly than others."

These were the survivors. Their would take when he had sex with the women of the commune. "He leader's passion for their death. But mains of the man he called dad. told their husbands that he only did
it to help the woman," Mr. Carter
said. "but he also did it to emascugested, or did they welcome death?

had labored faithfully in the vine-

yards of the cult for 10 years: Had

And what of Brian Bouquet and

his wife, Claudia, presumed dead in

the pile of bodies taken from Jones-

town? He was blond and tall and she was pretty and black. He

played the saxophone in the com-

she arranged her own death?

Death for the Faithful

There was Sharon Amos, the former wife of Sherwin Harris, found with her three daughters in the cult's Georgetown house, their throats slit. She was a bright girl from Berkeley who had lost her fa-States yesterday. ther at 12 years of age, had married at 18, became a mother at 19, and

"We made every effort to locate possible survivors," said Col. Wil-liam Gordon, the commanding officer. "And if there had been anyone alive, I believe we would have found them."

Guyana was detaining 78 memibers of the People's Temple who escaped before the deaths at Jones-

Mayor of San Francisco, City Supervisor Are Slain

(Continued from Page 1) appointment with the mayor

and that the mayor and the former supervisor went into Mr. Moscone's office. Mr. Wax said that he and other aides heard noises but did not recognize them as shots. He said that Mr. White left the

mayor's office by a side door. "We went into the mayor's office and he was dead," Mr. Wax said. After the shooting of Mr. Mos-cone, the killer walked to the supervisors' offices, where Mr. Milk was

In her office a few feet away at the time was Dianne Feinstein, who as president of the board of supervisors is Mr. Moscone's designated successor. Mrs. Feinstein who, with tears in her eyes, first told reporters about the shootings.

Buildings Sealed

After the shootings, police sealed the building until Mr. White was apprehended. As the news spread to other city offices in the building, small groups

of city employees stood in the cor-ridors, weeping. Some expressed

fear.
"Incredible. It just couldn't happen." a man said.
Telephones in the building were overloaded and failed. A crowd of several hundred assembled outside and remained hours after the shoot.

Odell Rhodes beneved had a reason for surrendering his will to Mr. Jones, except for that final, fateful moment when the cups of cyanide were being passed his cups of cyanide were being passed his ectors at each entrance, and guards on duty who check each entrance, and guards on duty who check each entering a guard said that Mr. O'Neal wanted to help the people of the world, but he could members of the Board of Supervi-

sors are exempt from the security Mr. White resigned recently from the board, saying he could not afford to continue at the salary of \$9,600 a year. However, he later said he wanted his job back after friends and relatives came to his fi-

nancial aid. Mr. Moscone, 49, was elected mayor in 1975. He had served on the Board of Supervisors from 1963 through 1966 and then served as a Democrat in the California Senate from 1966 through 1975. He was majority leader of the state Senate before his election as mayor.

In 1974, he announced his inten-

tion to run for governor of California, but later withdrew.

Mr. Milk, 47, a camera store owner and leader of San Francisco's large homosexual community, was elected a supervisor last year.

Nonsmoker Wins Refund

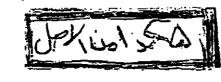
DES MOINES, Nov. 27 (UPI)

— A magistrate has ruled that
United Airlines must refund \$410 to a nonsmoker because it did not adequately separate him from passengers who smoked

during a flight.
The refund covers the roundtrip passage between Des Moines and Lake Tahoe, Nev., paid for by Dr. Mark Ravreby

in July of last year.

Dr. Ravreby had claimed in his suit that he has a bronchial. condition that is aggravated by



getting Rep. Ryan to investigate Jonestown. "I am convinced that

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the situation is very critical." she had written Rep. Ryan in June.
"The very lives of 1,100 Americans
may be in jeopardy." Did Brian
and Claudia go willingly with
beatific smiles? And what of John Stoen, 6, for whom, it is said, Mr. Jones cared as

if he were his own child. His mother, Grace, a former cult member, filed suit in Guyana to try to force the People's Temple to give up the child. A Guyanese judge In June, another former cult member had testified in a deposition that one of Mr. Jones' mis-

tresses had rehearsed for suicide by giving the boy a sleeping tablet to make it easier to kill him.

John Stoen's body now is in an Air Force morgue in Delaware, not

U.S. Troops End Death Detail

ruled he had no authority.

GEORGETOWN. Guyana. Nov. 27 (WP) — The 200 U.S. sol-diers who cleared the bodies of more than 900 participants in a death ritual from the Jonestown encampment of the People's Temple began returning to the United

town or were at the Temple's headmune band and she was supervisor quarters here.

Purports to Show 2 in Windows

Kennedy Film Is Unclear On Oswald 'Accomplice'

By Wendell Rawls Jr.

An eight-second film shown to a terest could be protected." Mr. Signs second film shown to a terest could be protected. Mr. Signs second film disclosed any new information of protection was not claiming that the mean signs that he was simply cooperate. werday purported to show the presthe ence of more than one person in windows of the sixth floor of the Texas School Book Depository John F. Kennedy was killed by

shots fired from the building.
The film and individual frames the time and individual frames of the first ti the layman's eye the production the win-

The 8mm film was taken by ama-teur photographer Charles Bron-son a metallurgist from Ada, Okla. the building while he was filming. 15 years ago last week.

Frames Deemed Unclear

His film was viewed by the FBI His film was viewed by the FBI tion and was deemed "not suffipurposes."

The existence of the film was dis-

closed almost a year ago when the FBI made available to the public about 90,000 pages of previously classified documents relating to and the Assassine to the Assassine in th Members of the Assassination Information Bureau read of the ex-istence of the film and contacted a

reporter for the Dallas Morning News, who in turn located Mr. Bronson and the film. The newspaper has published 100 40 No. 8 several articles 100 20 10 to printed nine photographs of the entering 100 100 to 100 t

we trated presentation, the bureau

then called a news conference yes-

terday and distributed copies of the

newspaper and press releases. Mr. Bronson's attorney, John Sigalos, of Dallas, also was present. No photographs of the film or of the slide enlargements were permit-

WASHINGTON, Nov. 27 (NYT) ted so that Mr. Bronson's "best intion, that he was simply cooperat-ing "with these other people because he has no reason not to." Mr. Sigalos said was he retained by Mr. Bronson after arrangements with the newspaper and the bureau had

> The film was sent to Robert Groden, a Hopelawn, N.J., photogra-phy technician, who had performed photo-enhancement work on the widely distributed Abraham Za-pruder film of the president being shot. Mr. Groden had also testified before the House Select Committee on Assassinations and had been paid by the committee occasionally as a consultant, although he had not been selected to be on the committee's panel of photographic

experts.

Mr. Groden said yesterday that "it is beyond question" that there were two figures moving at the double window from which the Warren Commission and the House committee maintain the fatal shots were fired.

If his interpretation of the photographs is correct, it could disprove contentions that Lee Harvey Oswald acted alone in killing Mr. Kennedy.

One Figure to Layman

However, the film and the enlarged frames are exceedingly grainy and blurred. If they disclose anything to the layman's eye, it is perhaps one figure in one window.

ure that Mr. Broden pointed out yesterday was supposedly standing in a different window than the ones that the Dallas newspaper presented in its page of nine frame enlargements. Mr. Groden said that one person on the sixth floor could be seen "moving rapidly" in the third window from the corner of the building, while another figure was moving between the two sections of a double window.



Robert Groden

The newspaper story maintained. however, that the two figures were in the same double window and disregarded the possibility of a person in the third window.

FBI Said Building Not Shown

WASHINGTON, Nov. 27 (WP)
- The FBI was informed of the Bronson film by a letter he wrote. Two agents viewed it with him and an Eastman Kodak representative on Nov. 25, 1963. The FBI apparently concentrated only on subse-quent segments that Mr. Bronson took of the assassination itself. Bronson also made some 35mm shots with a still camera. FBI agent Milton Newsom discounted their value in a Nov. 25, 1963, memo, stating:

"These films failed to show the building from which the shots were fired. Film did depict the president's car at the precise time shots were fired; however, the pictures were not sufficiently clear for identification purposes."

Carl Oglesby, director of the Assassination Information Bureau, chided the House Select Committee on Assassinations for failing to discover the film as part of its \$5 mil-

On Seniority, Committee Chairmanships

By Mary Russell

WASHINGTON, Nov. 27 (WP) - House members who four years ago staged a mini-coup that put a crimp in the seniority system and significantly decreased the power

py with the results. "I've voted for every reform -- to open up committee meetings, to reduce the power of seniority, to do a number of things which reduce the future power of a few in Congress — and somehow the end product is worse than it used to be," Rep. Charles Whalen, R-Ohio, told a colleague

recently. Most members are happy that power once hoarded by committee chairmen is now spread around. Key subcommittee chairmen are as important as many full committee chairmen, and junior members can play as large a role in legislation as

senior members.

But members are not happy about the way these more powerful subcommittees have clogged the legislative machinery with controversial bills that produced more

10 Die, 25 Hurt As Fire Sweeps

New York Hotel

ROCHESTER, N.Y., Nov. 27 bere yesterday, killing at least 10 persons and injuring 25, six of them

Authorities in Greece, N.Y., a Rochester suburb, where the fire virtually destroyed the 15-year-old hotel, said the blaze started in a basement stairwell, but that its

cause had not been established. The hotel's occupants said that, although the hotel had an alarm system, they heard no alarms as the

fire swept through the three floors. Fire Chief Kenneth Volkmar of Greece said the hotel had been cited earlier this month for minor fire-code violations. They included. he said, exposed ceilings, empty fire extinguishers and doors that did not fully close.

Desire to Leave U.S. Cities Noted

ST. LOUIS, Nov. 27 (UPI) One-third of urban residents in the United States would move from their cities if given the chance, according to a survey conducted for the National League of Cities.

Those people most likely to ex-

press the desire to leave their cities are from the same upper socio-eco-nomic groups which have been moving away for the last three decades - residents the cities can least afford to lose," George Gallup, board chairman of the polling

organization, said Key factors influencing the desire to move away from the cities ... are crime, overcrowding or population congestion, the poor condition, maintenance and appearance of residential housing, unemployment or low pay, air pollution, dirt, traffic congestion, racial problems and poor schools," Mr. Gallup said.

House Members Regret Reform Results and more floor amendments and in

turn more roll-call votes. duced even more votes, often on curtailing the subcommittees. meaningless procedural matters like approving the day's journal. The result was 834 time-consuming roll calls this year, compared with

Members were caught both ways. meetings. But even as they met, were interrupted for floor ten had no idea what they were vot-

The leadership was also in a bind over how to schedule all the legislation for floor action and turned often to the suspension calendar, a device intended to speed up consideration of noncontroversial measures, but which allows no floor amendments and requires a twothirds vote for passage. Last year 400 bills ended up on the suspension calendar, compared with 146 in 1972, and some of them were both controversial and expensive.

Finally, as a Democrat put it, there is the ultimate question. Why, in an era of anti-spending

Two newer Democrats, Reps. Paul Simon, D-Ill., and John LaFalce, D-N.Y., recently sent a letter to other House members that (NYT) — A fire swept through a said: "We believe that the time has fully occupied Holiday Inn near come for the House to assess the kind of balance we have achieved between efficiency and the desire to permit all sides to have their causes heard and decided."

They praised the changes that opened up the system, but added, we have to wonder, has the pendu-lum swing too far? We believe it

Shows Faster Rise Than in '77

ROME, Nov. 27 (AP) - World

food production this year has in-creased faster than last year, mainly because of a very large rise in output in Eastern Europe and the Soviet Union, the United Nations Food and Agriculture Organization reported today.

Food output was estimated to in-

crease by between 3 and 3.5 per-cent in 1978, compared to 2.2 per-cent in 1977, the office of the director-general said in its annual report to the FAO council. The gain in Russia and Eastern Europe was forecast at more than 5.5 percent, compared with 1.9 percent last

Despite the accelerated overall growth, the FAO said the present food situation gives rise to considerable concern in several areas. These include several countries in Southeast Asia, where serious flooding has damaged crops, and the deserts of Northeast Africa and Southwest Asia, where locust infestations have recently reached pla-

In addition, the FAO cited persistent problems of insufficient row. Experts said the renewed long-term production growth in the activity, which began on Wednesdeveloping countries and the wide-spread incidence of undernutrition. day, was decreasing after reaching its peak over the weekend.

Next week. House members will return to organize for the new Con-Republicans, trying to stem the gress and will begin to discuss the tide used delaying tactics that pro- first tentative steps to deal with

Some younger members want to press the "democratization" — the spreading around of power — still further. So a number of proposals will deal with limiting the options More subcommittees meant more of senior members for choice subcommittees and subcommittee votes. A few conceded that they of- bers a better pick and even more voice in the process.

Other members want to deal roll call, eliminate such procedural votes as approving the journal, eliminate debate time on open rules

to make it more difficult to get a smashed windows of two banks.

and authorize the speaker to cluster

"You wouldn't believe it." said an investigator. "Managers of federal buildings have told us they

By Helen Dewar

the cradle to the grave, fringe bene-fits earned by U.S. workers account

for more than 1 of every 4 payroll

been rising faster than wages; they

are a kind of middle-class tax shel-

ter. Unions are scrambling to ex-

pand their benefit portfolio, fatten-

ing existing fringes and adding others to cover everything from false

teeth to open-heart surgery. While

wages have doubled during the last

years, benefits have nearly

But success has its price, and the

piper — in the form of President

Carter and his inflation-fighters —

Carter's anti-inflation guidelines

was the fact that the proposed 7-

percent ceiling on wage and benefit

increases for next year includes any

additional costs of maintaining ex-

isting benefits, even if the benefits

Modification Sought

with strong union objections and

warnings that inflexibility could

shatter the whole program, are

trying to find ways to modify the benefits rule without bending it too

much. But the multibillion-dollar

cost of benefits and their impact on

problem, principally in the area of health care, where overall expendi-

tures are rising at an annual rate of

12 percent, faster than the underly-

Another problem centers on the government rules established be-

fore the anti-inflation plan was an-

nounced last month, including pen-

sion-funding requirements under the Employee Retirement Income

The problem is particularly acute

for many of the big unions that will

be bargaining for contracts next year because they have either bene-

fits-rich contracts or severe benefit-

funding problems.

Except for the Teamsters union.

whose ERISA funding require-

ments could eat up one-third or more of the allowable 7 percent, the cost of maintaining benefits

may not exceed 1 percent of any

prospective compensation gain, ac-cording to a number of labor econ-

That is because health and pen-

sion benefits, while increasing pro-

portionately to wages and wage-re-

lated benefits such as vacations,

still constitute only about 15 per-

cent of total compensation with variations in individual union con-

Thus, a 10-percent increase in a

health and pension plan that con-

stitutes 10 percent of an employee's

compensation would amount to a 1

percent increase in overall payroll

government official said, "that's

one-seventh — or 14 percent — of

what they can get, and it's a real problem for a lot of them."

Moreover, many of the unions that come to the bargaining table

early in the year - and thus may

set precedents for other unions to

Lebanese President

Starts French Visit

PARIS, Nov. 27 (AP) — Leba

nese President Elias Sarkis arrived

here today for his first official visit

to a non-Arab country since being

Mr. Sarkis, who arrived with Pre-mier Salim al-Hoss, will confer to-

morrow with French President

Valery Giscard d'Estaing and

Prime Minister Raymond Barre.

elected 31 months ago.

"But, remember," a sympathetic

tracts and nonunion plans.

ing inflation rate.

Security Act (ERISA).

Inflation has made this a major

Administration officials, faced

Hardly noticed at first in Mr.

wants to be paid.

do not change.

Benefits, many tax-free, have

WASHINGTON, Nov. 27 (WP)

With payments stretching from

indicted in the GSA scandals.

The former store manager, who agreed to talk with a reporter on condition that his name not be used, said the pressure to "sell" more goods came from GSA supervisors. He said that they based promotions and demotions on the sales volume generated by each supply

By Ronald Kessler

WASHINGTON, Nov. 27 (NYT)

- Life as the manager of a General

Services Administration store that

provides government workers with

office supplies was a constant bat-

"I would actually have nightmares about what would happen to me if I didn't make a certain sales level each month," the GSA employee said.
He said he never learned why

GSA was interested in "selling" more merchandise, rather than less, and never questioned the policy.

The supply stores are located in representatives of agencies load shopping carts wih goods taken from shelves arranged as in a supermarket. The items are charged to

the agencies.
Federal investigators have attributed pervasive corruption within

Tehran Says Violent Acts Still Go On

TEHRAN, Nov. 27 (AP) - Scattered violence was officially reported in provincial towns as employees of the central bank and other government agencies returned to work today following a 24-hour general strike.

The strike was called by Moslem religious leaders to keep pressure on Shah Mohammed Reza Pahlavi. It appeared to have little effect on the nation's economy. There were few major disruptions in public ser-

Bazaars, the heart of commercial activity in every town and city of Iran, reopened, along with many shops. Bakeries and food stores had remained open during the general

In Tehran, shoppers packed the narrow alleys of the main bazaar which has been the staging area for numerous demonstrations. Pars, the official Iranian news

agency, reported that rioters in Isfahan, 400 kilometers south of Tehran, burned down eight banks yesterday. The agency did not indi-cate whether there were any casual-After the incidents in Isfahan,

martial law authorities increased the curfew by three hours, making it effective from 8 p.m. to 5 a.m. Curfews remain in effect in 11 other cities, including the capital. Incidents were also reported in Rezaiyeh, in the Azerbaijan provwith the problems only as they af- ince. Hundreds of persons leaving a fect voting on the floor. They want mosque following morning prayers vesterday demonstrated against the government. Police used tear gas to disperse the them after they had

No injuries were reported in that

Teeming Flotilla of 35 Boats

Thousands of Vietnamese and anti-regulation, are we churning out bills that increase spending and add to the number of regulations.

PORT KLANG, Malaysia, Nov. since Nov. 9, are assured of places 27 (UPI) - Thousands of Vietnamese refugees arrived in Malaysia today aboard a flotilla of 35

Many made their way to beaches after scuttling their vessels to keep marine police from forcing them back to sea. They were expected to join about 40,000 refugees already in makeshift camps, the police said. Meanwhile, the fate of more than

1.000 Vietnamese refugees still aboard the Hai Hong freighter rests with the United States after other Western countries have resettled '78 Food Output 1,500 of them, diplomats said

Canada flew out the first batch of 161 and is moving out a second group of about the same size tomorrow, to be followed by two other airlifts at intervals of three days, making a total of 604.

Lower Saxony

West Germany will take in the second largest number for the state Lower Saxony. Initially there was a plan to accept 1,000 of them, but because the German freighter Tom Jacob picked up 450 Vietnamese refugees from their boat off Thailand, the embassy said only 550 from the Hai Hong will join the others for resettlement in Germa-

France will fly 221 Hai Hong refugees to Paris on a charter plane Vednesday night. Belgium has indicated a willingness to take in 150. but diplomats were doubtful that it will select that many.

About 1,500 from the 1,600-ton Hai Hong, anchored off Port Klang

Etna Smoldering

CATANIA, Sicily, Nov. 27 (AP) - Mount Etna emitted ash and smoke today for the sixth day in a in those Western countries. Diplomats said that the rest of the 2,504 refugees will be the re-sponsibility of the United States. Most of them want to go to the

states and claimed to have sponsors The U.S. Embassy has not made a definite commitment on the Hai Hong passengers but offered to take in an additional 2,500 from those already in camps if Malaysia granted temporary asylum to the

freighter's refugees.

Malaysia has remained firm on its decision against allowing any of them to land and threatened that those not selected will have to leave with the ship when the time comes.

A Locomotive Goes AWOL In Oklahoma

PURCELL, Okla., Nov. 27 (AP) — A runaway Santa Fe lo-comotive traveled 35 miles through three cities yesterday as police scurried to block railroad crossings and tried to board the train, the highway patrol said.

The engine was purposely derailed more than an hour later by Santa Fe workers at a yard northeast of Purcell Santa Fe yardmaster Delbert

Brooks said the locomotive was reported missing in the Oklaho-ma City yard at about 2:10 p.m. The report sent police racing to crossings in the towns of Moore and Norman to keep motorists off the tracks. The locomotive, clocked at 27 mph, made it through both towns without

Oklahoma Highway Patrol dispatcher Vernon Branch said it is believed that someone started the train in Oklahoma City and then hopped off.

the agency to spend more money so didn't take long before they learned that Congress would give GSA to spend it on themselves." higher budget allocations each

'Instructed to Spend'

tle to give away as much of the merchandise as possible, according to one of the former store managers used for. No one cared where it supply stores each year never is de-

were instructed to spend as much money as they could, all year long. regardless of what the money was

U.S. Educator Says Censorship Increasing in School Libraries

KANSAS CITY, Mo., Nov. 27 (AP) - Censorship of books in U.S. school libraries has increased during the last decade, mainly because of small but effective organizations, according to Lee Bur-ress, a member of the censorship committee of the National Coun-

cil of Teachers of English. Mr. Burress, speaking to the council's 68th annual convention, cited a recent survey of 2,000 schools showing that 30 percent of them censored books, school newspapers or other materials. A similar survey in 1965 showed that 20 percent of the schools exercised censorship, he said.

Mr. Burress said that a relatively small number of outspoken people were responsible for censorship, but that these groups were well organized. There are 15 or 16 groups involved in school censorship in the United States, he said. Mr. Burress said that the Texas School Book Commission

banned several standard dictionaries from all Texas schools because they contained objectionable words. He said that some were banned because the definition of the word bed included a reference to sexual intercourse. . He said that among the books removed or barred from school libraries were: "Catcher in the Rye," "Go Ask Alice," "Of Mice and Men," "The Grapes of Wrath," "A Separate Peace," "The

Diary of Anne Frank," "To Kill a Mockingbird," "The Scarlet Letter," "1984" and the Bible. The most common reasons cited for removing books, Mr. Burress said, was sexual frankness, profanity, obscenity and bad gram-

went, as long as it was spent. It livered to the GSA. The money didn't take long before they learned then is divided between the store

Both managers of federal buildings run by the GSA and managers of the stores that supply govern-ment workers with office materials are the focus of major investigations by Washington and Baltimore U.S. attorney's offices.
One investigator has estimated

that at least a quarter of the \$37.6 million in goods purchased by the

One of Those Indicted in U.S. Agency Scandal

GSA Store Manager Says He Was Pressured to Sell

managers who certify that they received goods never delivered and the supply companies involved. So far, 27 store managers, their

assistants, or contractors who sold to them have been indicted by a U.S. grand jury in Baltimore for defrauding the government. In the concurrent GSA investigation in Washington, five contractors have been charged with paying bribes so that GSA building managers would certify they did maintenance work they had not performed.

Fear of Reprimands

The former supply store mana-ger, who was indicted for taking bribes for certifying that office sup-plies were delivered to his store when they were not, said he lived in fear that he would be reprimanded for failing to sell enough goods or for not displaying merchandise

supplied by particular companies. They [GSA supervisors] didn't give a damn what you sold. The warehouse would be stocked with something, and they'd tell you to sell it." the former store manager

"You'd come to work, and you've got two tractor trailers out-side filled with dust pans or waste-baskets — stuff you'd never sell," the GSA employee said. "You were supposed to display it. They'd discount the item from \$6.20 to \$1.20 just to get rid of it."

He said one of the walls in his office was covered with awards he had received for achieving certain sales levels. "The \$300,000 in sales per month award was gold, and \$100,000 a month was a piece of paper with the GSA insignia," he

When high-ranking GSA offi-

used to maintain existing benefits.

Nearly 1 of every 2 benefit dollars

rather than adding new ones. This year it will be 1 out of 1 if the 7

percent guideline is rigidly enforced, union officials said.

went to financing existing benefits

would ask the monthly volume. "They'd say, 'Very good, keep it up," he said.

Asked why store managers received incentive awards for increased sales, Jerald Sterburg, formerly the top official over the sup-ply store in this region, said, "We wanted to create a feeling of be-longing on the part of the store

Klansmen Hold Protest March

NEW ORLEANS, Nov. 27 (UPI) The Ku Klux Klan, surrounded by uniformed and plainclothes police, marched through the French quarter yesterday but avoided a confrontation with oppo-nents by holding their demonstra-tion two hours ahead of schedule.

"That was purely from a police request because they wanted to avoid any trouble if possible," Ku Klux Klun leader David Duke said of the rescheduling. The Klansmen were demonstrating because they claim white people "have become second-class citizens."

The Kian rally ended before the first participants in a counter-demonstration arrived. The Klan march was allowed despite heavy pressure from civil rights groups. Mayor Er-nest Morial, the city's first black mayor, said while he personally opposed the Klan, the group was entitled to express its views.

6 Americans Die In Spain Crash

CADIZ, Spain, Nov. 27 (AP) -Six members of two vacationing families from Miami were killed and two injured yesterday, when a train crashed into their van at a level crossing near here, the police reported.

U.S. consular officials said that the dead were Jose and Carlota Martin and their daughter, Maria, and Alejandro, Roberto and Sergio Cornejo, whose parents were injured and reported in serious condi-

No other information about the Americans was available.



Border Fence NEW YORK, Nov. 27 (AP) - A proposed fence that could maim anyone trying to cross it will be along the U.S.-Mexican border at El Paso and San Diego, Immigrain its health plan financing. The Teamsters president, Frank tion and Naturalization Commissioner Leonel Castillo said vester-

The design was a mistake," Mr. Castillo said. "I've wanted it changed and it will be changed. We don't want a fence that will cut off people's feet, but we want a fence that's strong enough to deter entry, that would be hard to cut, hard to

Against Carter Inflation Plan

Unions Gear to Protect Fringe Benefits

follow later in the bargaining round

have the richest roster of bene-

An official in the rubber indus-

try, which will begin negotiations with the United Rubber Workers in

March, estimated that 40 percent of

all payroll costs go to benefits, in-

In the auto industry, which bar-

cluding vacations and holidays.

He said the 12 miles of fencing is needed at El Paso and San Diego because they are two major points

The UAW problem is compounded because it has not renegotiated pensions since ERISA was passed in 1974, and thus must still come to grips with its funding requirements. One UAW official

gains later in the year, a govern-ment analysis of the 1976 "Big Three" contract with the United Auto Workers showed that \$1 of estimated that this could mean a every \$7 won by the union was 10-percent increase in pension money, without any benefits U.S. to Redesign Acute for Teamsters

For the Teamsters, the problem is even more acute. One official said that the union will probably need at least 20 percent more in pension money alone, and others say that may not be enough. In addition, the union has deficiencies

Fitzsimmons, has said that, after plugging funding gaps for existing benefits, there would be next to nothing left for anything else and made it clear that he considers that "unacceptable."

Several sources suggested that the administration may be inclined to bend only enough to keep the program from shattering under one or two early blows from unions that decide the guidelines are so tough they might as well ignore

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(Hest. There's one extra location because there are two inter-Continental Hotels in London)

Page 4 Tuesday, November 28, 1978

Unesco's Media Declaration

The outcome of Unesco's yearlong debate on the mass media has to trouble deeply all those truly interested in advancing the organization's chartered purpose of enhancing the "free flow" of information and ideas. True. the members removed from the final text most of the language explicitly authorizing any state's control over the operations of its own news media or that of other nations' working within its borders. This took a lot of scrapping by the Western delegations and it put some of them in a somewhat self-congratulatory frame of mind after the declaration was shouted through unanimously in Paris the other day.

We don't wish to seem ungracious for official efforts undertaken in our. that is to say. the Western media's, behalf. It is evident, however, that by helping to write and by approving even a moderate declaration like this one, the Western delegations condoned the idea that it is within the proper province of governments to call the media tune. That this particular tune — this time around — is less dirge than walk-on music is nice but essentially irrelevant. Why else, after all, would it be supported by all the totalitarian states, both the Communist ones, which practice media control systematically as a matter of ideology, and the Third World states, which practice it more casually as a matter of political convenience.

Indeed, in a field so contentious, how can something acceptable to, let us say, the Soviet Union or Nigeria, be also acceptable to the West? One answer is, of course, that the declaration is a compromise, carrying everyone's ideological baggage on level shoulders. But to the extent that this is so, it indicates how far from the principles of its charter Unesco

has moved. A second answer is that the declaration is only hortatory, not enforceable. Quite true, but in that case how can any comfort or reassurance be taken from the declaration's pledges to protect journalists and assure their "freedom to report," to allow deprived parties the right of reply, to give a voice to those "who are unable to make their voices heard within their own territories"?

You will perhaps pardon us for suspecting that the parts of the declaration most likely to be honored - in the places where the media are constrained — are the parts reinforcing state policies, such as "the strengthening of peace" and "the countering of incitement

As for the United States' pledges to offer technical and material help to the media of underdeveloped countries, that would have been a sensible proposal even without a Unesco conference. Though it evidently was not possible to say so at Paris, we trust such aid will go only to countries that are ready to let their media move in the direction of the Unesco charter.

From the viewpoint of U.S. diplomacy, no doubt the Paris outcome reflected a certain success. The United States found itself aligned with Third World members and other states on an issue on which it and its Western friends had previously been isolated from them. From the viewpoint of the U.S. news media, however, the result represented a clear erosion of the favor and protection they were accorded three decades ago by the Unesco charter. And that is what worries us

THE WASHINGTON POST.

Democracy: New Benefits

On Nov. 7. William H. Smith of Waukegan, Ill., was elected auditor of Lake County. On the same day, by a referendum on the same ballot, the voters abolished the job. That, to some people, illustrates the irresponsibility that results from letting voters take the law into their own hands. They have done so since the turn of the century in one or more states, through the initiative, by which new laws are put on the ballot, and the referendum, by which old laws are overturned. Some students of politics have always mistrusted these devices, but never more than now, with enthusiasm for the initiative and referendum growing in a number of states, including New York. And in the wake of California's jolting vote on Proposition 13 to limit property taxes, concern over such "direct democracy" has turned into opposition. To our thinking, such opposition is

Some of the criticism of the initiative and referendum is hasty. They are said, for example, to be highly susceptible to big, expensive campaigns conducted by special interests. But so are state legislatures. In any case, the voters have a way of confounding both the interests and the criticis. In Oregon, for instance, national dentist groups opposed a measure in the legislature to permit technicians, not just dentists, to supply false teeth. The measure died without action. Then the proposal was put on the November ballot by petition. The same dental groups spent heavily to defeat it - and this time were soundly beaten

Critics also contend that putting weighty matters into the hands of the people diminishes state legislatures and discourages able candidates from serving in them. That is denied by experience in California, where propositions appear on the ballot regularly and where the legislature is outstanding. In any event, enough signatures must be secured on the initiating petitions to discourage numerous, frivolous ballot measures.

A further argument against the initiative and referendum is that they produce conservative, even reactionary results. Critics note, for instance, that in recent years, California has voted against open housing, against restricting nuclear power and, now, for Proposition 13. But this argument is unfairly selective. If California voters show themselves to be conservative by reviving the death penalty, then what do they show themselves to be by upholding the right of homosexuals to teach in public schools? Such mixed results are evident in other states and in other years and nullify fears that the process would invite ideological triumph for the right — or the left.

There is a stronger argument against the initiative and referendum: an easily intelligible ballot measure is necessarily a blunt instrument, and hence a poor way for the public to deal with complex issues. That is the lesson of the California proposition to limit smoking in public places. It lost heavily, people on both sides agree, not simply because of an expensive campaign by the tobacco industry but because it was poorly drafted. Opponents were able, with reason, to ridicule the proposition for permitting smoking at rock concerts but not at jazz concerts. A legislature could have clarified or compromised on language. But the terms of a proposition are frozen and must be voted on, yes or no. And once the question has been settled by the public, legislators are unlikely to reopen it for years.

There is, hence, an occasional price to be paid for direct democracy, but that does not deny its clear and considerable benefits. The referendum and initiative symbolize the trust that our system puts in the public; they enlarge democracy. More, they provide a healthy safety valve for voter discontent. That, after all, is what Proposition 13 was. Because of booming real estate values. California had collected - and held onto-billions in windfall property taxes. Among other things, the voters were telling a fat, deaf state government, "Cut us in."

Direct democracy offers another benefit: It is a powerful stimulus to political participation. Nobody said democracy has to be dull. People are more likely to vote when issues capture their interest. Consider Oregon's experience. Elsewhere there were complaints of voter turnout as low as 30 percent. In Oregon, which had a half-dozen hot ballot measures, the turnout was 65 percent. Use of the referendum and initiative is not the only explanation, but it's a good one.

THE NEW YORK TIMES.

International Opinion

German Divide Narrows

There have been several signs lately of better relations and reduced friction between East and West Germany. As always, the basis is further heavy additions to the huge subsidies which West Germany already pays to the East. In return, the Communist regime makes concessions in the form of partial lowering of arbitrary economic or human barriers - all of which can, of course, be revoked at will on some excuse or other. The latest development is an agreement for the building of a new autobahn from Hamburg

across East Germany to Berlin, of which Bonn will pay nearly two-thirds of the East German costs. Parts of the Berlin canal system, which East Germany has kept closed, forcing West Berlin traffic to make detours taking some days, are to be reopened and improved. Bonn will pay the entire cost. East Germany will benefit greatly from all these improvements, especially through its arrangement with West Germany over the European Common Market. .

- From the Daily Telegraph (London).

In the International Edition

Seventy-Five Years Ago November 28, 1903

NEW YORK - Joseph Pulitzer's New York World, renowned for its battle of a few years back with William Randolph Hearst's New York Journal in trying to bring the most pressure on the U.S. government to begin the Spanish-American War, today led with an editorial of a rather different tone. Commented the newspaper: "Clairvoyance is supposed to be illegal. Yet President Roosevelt is still at large, notwithstanding the second sight that led him to have a naval force all ready for a Panama revolution before it happened.

Fifty Years Ago November 28, 1928

PEKING - Since the overthrow of the Manchu dynasty, many of the former ruling class, who never before did any menial labor, have entered the ranks of the water-carriers. But now adversity is pursuing them further, in the shape of the water-works, which pipes water into a 1.000 new Peking homes every year. Several riots have been caused recently by the new carriers attacking gangs installing pipes for the water-works. Yet more and more Peking people are having water piped into their homes. The water-carriers are being deprived of their livelihood.



New Soviet Thinking

By Cyril E. Black

PRINCETON, N.J. — The most important development in Soviet ideology since 1917 has taken place almost unnoticed by U.S. commentators, concerned as they have been with controversies over detente, arms controls and human

This development is the change in emphasis from the literal view of lution in science and technology Marxism-Leninism that predomi- and its social impact has been charnated in the Stalin era to a new and acterized by relatively uninhibited dynamic appreciation of the role of science and technology as the critical factor in economic and social

this theme in 1971 when he stated central controls of economic enterat the 24th Congress of the Com- prises and social institutions. This face. . . is one of historical importance: to fuse the achievements of Leninism to the prevalent Western the scientific and technological revolution with the advantages of the knowledge is the main impetus for socialist economic system.

Labor as Factor

Soviet leaders of Lenin's era recognized the importance of science and technology, but as late as the 1960s official publications of the Central Committee continued to re-fer to labor as the primary factor in

The significance for a modern economy and society of nuclear power, cybernetics and computers had already captured the imagination of Soviet ideologues, however, and a widespread debate developed in the 1950s and 1960s over the significance in theory and practice of these new techniques.

A major role in this debate was played by Eastern European socialists, and the new ideas were influential in stimulating the Czechoslovak reform movement in 1968. Although the reform movement was suppressed by the Soviet Union for reasons of national security, the Soviet and Czechoslovak academies of science collaborated in publishing in 1973, on the basis of a wide reading of Western writings, one of the major treatises on the social implications of the scientific and technological revolution. In the 1970s, this theme has dominated Soviet discussion of such subjects as management, specialized education. productivity, income distribution, the environment and social change generally.

Change

There are several dimensions to this significant change in the Soviet world-view. Acceptance of the importance of science and technology implies the recognition that in most fields the Soviet Union is not in the forefront of research and develop-

The Stalinist view saw the Soviet Union as the most advanced society because it claimed to be the most fully socialized — that is, the means of production were more completely under central control than elsewhere. The new view, by contrast, stresses productivity resulting from the application of the new techniques as a more relevant criterion for comparing societies.

While Soviet writers do not advertise the greater proficiency of the Western countries in most aspects of science and technology, they recognize that the goal of improving Soviet technology and productivity calls for close relations with the West. The new outlook reflects the ascendancy of the post-war generation of scholars and university-educated professionals over the party backs who dominated Soviet policies until quite recently.

Although some Western polemicists refer to the Brezhnev-Kosygin
coalition as "neo-Stalinist" it is

it intends to proceed promptly with the autonomy plan for the West Bank, and to hold elections for the Arab world—just as Israel's gov-

generally and more correctly seen in the Soviet Union as reformist. Stalinism in the Soviet sense means highly centralized controls over all aspects of society, dominated by insular and narrow-minded politicians whose ideal of ideology is a sterile repetition of dogma. By contrast, the Soviet debate on the revodebate, widespread differences of opinion, and intense interest in

Western developments. The new generation of managers Leonid I. Brezhnev formalized favors much greater freedom from closer than the earlier Marxismview that the advancement of societal transformation within countries and for an evolving international integration.

This does not mean that Marxism-Leninism has been abandoned. It has simply been transformed.

BOSTON — The impasse in the

and Egypt is harder to understand

now that the draft peace treaty and

one annex have been published. For those texts, in skillful and even elegant diplomatic language, meet what we would have thought were

the fundamental concerns of both

of peace in words that not long ago would have seemed to most Israelis

an unattainable hope. After Israel's

partial withdrawal from the Sinai there are to be full diplomatic rela-

tions, free movement between the

two countries, normal telephone

and other communications and a

In its preamble, the treaty reaf-firms both parties' commitment to

the general "framework for peace"

agreed to at Camp David - the

sign wanted by Egypt that the pro-cess is not limited to these two par-

ties. Similarly, the draft calls for a

"comprehensive peace in the area" and "settlement of the Arab-Israeli

Reassurance

tral reassurance on the question of "linkage." Israelis have worried

that implementation of the treaty

would be conditioned on progress

toward autonomy for the West Bank and Gaza — that Egypt could

refuse to go ahead with diplomatic

relations, for example, if the West

Bank negotiations stalled. Then ob-

structive elements on the West

Bank, Israelis feared, would in ef-

fect have a veto over the whole

But the draft language excludes

those risks of what diplomats call "conditionality." In Article VI, the

parties agree to fulfill their obliga-

tions under the treaty "without re-

gard to action or inaction of any

other party and independently of

any instrument external to this

The Israeli Cabinet has approved

the draft treaty. It is generally ac-

ceptable to Egypt, too. But Egypt

wants a statement from Israel that

The treaty also gives Israel a cen-

halt to hostile propaganda.

conflict in all its aspects."

The annex spells out the nature

negotiations between Israel

The proponents of the new outlook claim that socialist countries, by which they mean those ruled by Marxist-Leninist parties, are better able than capitalist countries to take advantage of the opportunities for human welfare offered by the new techniques.

Meet the Challenge

The need to meet the challenge of contemporary science and technology, they say, will undermine capitalism just as the Industrial Revolution of the 18th century undermined feudalism.

Adherents of these views can thus advocate "peaceful coexistence" and detente as providing an opportunity for the Soviet Union to draw on the new knowledge that certainly deny it, claiming that has been developed almost entirely in the West, while still maintaining that Soviet society is superior.

Cyril E. Black is professor of history and director of the Center of In-ternational Studies at Princeton University. He wrote this article for The New York Times.

A Question of Trust

By Anthony Lewis

months. Prime Minister Begin and

his Cabinet say they will not accept

Impasse

To break the impasse, the United. States has proposed a brief "side letter." It would pledge Egypt and Israel "to negotiate in good faith" over the West Bank, "with the objective of holding elections not later than the end of 1979." That would be a reallowne strapped to Egypt has

be a welcome symbol to Egypt but

not a binding timetable for Israel.

A promise to negotiate is no guar-

antee of success. At Camp David,

Israel and Egypt promised to try to

negotiate a treaty within three months, and they may or may not

The two sides are so close now

that we on the outside think they

surely should agree soon. Even Sec-

retary of State Vance allowed some frustration to show the other day.

He said that disagreement had

come down to "essentially two sentences" in a letter "one page and a quarter long," and "there ought to be a way under those cir-

cumstances to find your way

matter of logic alone. It is politics, and in the deepest sense of that

word. Neighboring countries, long hostile, must finally summon the national will to go ahead with a strange new venture in cooperation.

Apprehension

mood of profound apprehension over the prospect of peace. The ex-

hilaration that greeted Prime Min-ister Begin on his return from Camp David has gone. His party

and his Cabinet are divided. So is

the public. Many worry that Egypt

will not keep its promises or that

the peace process will get out of

In Egypt there are concerns about Israel's intentions. President

Sadat evidently has real doubts

that the Israelis will carry out the

West Bank autonomy plan. He

surely had the draft treaty pub-

the preamble would reassure the

Reports from Israel describe a

But what is involved here is not a

any such "timetable."

meet that target.

local council there within nine ernment no doubt published the

John Dornberg From Munich:

. . the chances of a Wes German trade union call a strike used to be about great as being hit by lightning on a cloudless

duced in 1970, the continuous law is regarded as all vanced and significant of

to industrial democracy

Granted, there have be numberable problems of menting it during the n

shakedown period since 1976 labor frequently missing nothing has really changed by

ownership representatives sult the upper hand, and manage arguing that the presence

many worker representatives

corporate boards poses an so to decision-making, compe and company secrets.

Audible Yarms

Moreover, among West Genon the whole, co determination the arguments about it soil a mostly audible yawns.

But the scheme's authors

But the scheme's authors in particular, if unions, continue to view it as the and sensible means for process the means of the means for process the means

by making both more flexibly

the market economy and car

sponsive to contemporary pre-

of social change.
That is why organized labor?

been in a beligerent mood est since last year when organism management, then still headed in Hanns-Martin Schleyer, the indu-trial leader murdered by terroists

decided to challenge the codes

mination law's constitution

claiming more or less that if wis form of creeping socialism and loping expropriation.

The basic charge is that the in

violates constitutional rights d

property.
In labor's eyes, the decision of the file the suit was a violation of the unwritten agreement and a points

Arguments in the case, lodgethenine blue chip corporations, their gional industrial and employed associations, and a society of provide investors and shareholder will be heard for four days.

The briefs being filed with the

high court number thousands of the

Next Year .

will be heard for four days.

MUNICH — Those who may not yet be aware of it will certainly notice it this week. An era has come to an end in West Germa-

It was called industrial peace. Under the happy slogan of Ver-nunft — common sense — trade un-ion leaders appeared almost as concerned about increasing corporate profits as the shareholders. They agreed to hold down wage demands so as to enhance industry's investment potential and readily adjusted their goals to conform with the nation's macro-economic aspira-

In turn, management used to wax glowingly with compliments for labor's "sense of responsibili-

Coxy Days

Those were the cozy days of co-operation when the chances of a West German trade union calling a strike used to be about as great as being hit by lightning on a cloud-

It was an era that had lasted three decades and contributed sig-nificantly to the country's remark-able postwar affluence and indus-

But since the beginning of the year the once halcyon climate of labor-management relations has entered a confrontational freeze. It is

destined to get even colder today.

First of all, West Germany's steelworkers are scheduled to go on strike - for the first time in half a century. It will be the third major strike since the start of the year and predictions are that management will respond in kind, as it did in the metal and printing trades last spring with an industrywide lock-

No Coincidence

But more importantly, also today, the red-robed justices of the Supreme Court in Karlsruhe will start hearing testimony and arguments on a management-initiated suit to test the constitutionality of the 1976 law on Paritaetische Arbeitnehmermitbestimmung.

In less tongue-twisting English, that is so-called "labor co-determi-nation" law which gives representatives of workers and equal number of seats with those of shareholders on the corporate supervisory boards of the country's 457 largest companies - all those employing

2,000 or more persons. their demands for a five percent wage increase and the introduction of 35-hour work week are the only issues in dispute, there is more than a coincidence of timing between the strike and the Supreme Court hearing.

Though certainly a compromise version of the bill, originally intro-

annex on the nature of peace to

In short, both sides want certainty before they finally sign. But there can be no certainty.

No document that could conceiv-

ably be agreed now can make meaningful autonomy for the West Bank and Gaza a sure things

Whether Begin proceeds, and how,

will depend on many factors: his

repeated public commitment to what was his own plan, public and

political resistance in Israel, U.S.

attitudes, the state of public order on the West Bank and so on.

Mutual Trust

Similarly, nothing can make Sa-dat go ahead with diplomatic rela-

tions if the situation envisaged in the treaty has drastically changed

if a year from now, say, Israel has effectively blocked the plan for

West Bank autonomy. Sovereign

Relationships in diplomacy, as in life, require a degree of mutual

is why the disagreement that seems

states cannot be so bound.

so narrow is in fact serious.

reassure its people.

pages and for the coming week the Karlsruhe chamber will be filled with a small army of entreprenent trade union officials, members a parliament and government repr

A ruling by the court is not explain a pected until next year, and even have some of the industrial leaders who filed the suit regard its chances per interest similarity. But the fact that it in the hear filed, and is being processed that been filed, and is being prosecut with so much diligence, seems have changed the climate of indutrial relations in West German dramatically.

Ever since then, there has been spate of stalled and broken inde trial negotiations and a pattern of collective bargaining gone awij. The spirit of "social partnership" has disappeared and the cozines labor-management relations that used to make West Germany a kind of model has become past history.

Workers are increasingly prepared, some would say determ to strike, and the employers to # spond with lockouts.

There is more involved. course than merely labor's piges and irritation over the constitu-

tionality suit. Organized management and industry seem determined to reduce labor's share of the pie claiming that this will help create new reduc-

late consumer demand, reduce amployment and reinvigorate sluggish economy. sluggish economy. Battle

Beyond that, labor now seem determined to battle what it sees a a gradual and deliberate erosion y obs through technological ration ization and the transfer of capital and production facilities abroads phenomena which management cribes to West Germany's hour labor costs, now almost the higher in the world, and the county ceaseless quest for more less

To be sure, many of these staticken-or-egg type issues of kind characterizing industrial retions everywhere, but a year of static stati

trust. After the hopes raised and disappointed in the last year, trust between Israel and Egypt can probably begin to grow only if and when they actually sign a treaty. Every day of delay is risky—which is able to the disappoint of the state of the sta The fact that they are raised new marks the start of a new era that could have far-reaching political

John Hay Whitney

Co-Chairmen Katharine Grah Arthur Ochs Sulzberger

Editor Murray M. Weiss

Managing Editor: William R. Holden

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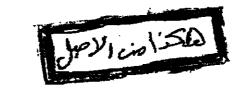


ago they would never have been

and economic implications.

Publisher Robert R. Eckert

Harry Backs. Senior Editorial Writer



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Thorpe Trial Figure Says He Was Offered \$30,000

was put into service recently at the Hambach mine in West

Germany. Measuring 220 by 84 meters, it requires five operators and can extract 20,000 cubic meters each day.

MINEHEAD, England, Nov. 27 Miller's house. "I told him I was (UPI) — The man alleged to have still interested in the proposition. been chosen as the killer in the The money was discussed. He said murder conspiracy trial of former Liberal Party leader Jeremy Thorpe told the court today that he was offered \$30,000 to kill somebody.

Andrew Gino Newton gave testimony for the prosecution on the fifth day of preliminary proceed-ings against Mr. Thorpe and three other men accused of conspiracy to kill Norman Scott, the man who alleged that he had been Mr. Thorpe's homosexual lover. Mr. Thorpe also is charged with incitement to murder.

Newton, a former airline pilot. said he was first approached in February 1975 at a charity function at the Blackpool Hotel that he attended with David Miller, a man he had known for several years.

"There we met George Deakin," Newton said, pointing to one of Mr. Thorpe's co-defendants. "I had met Mr. Deakin on a number of occasions before at Miller's house in

"I asked him if it was true that he wanted somebody, I think bumped off were the words I Newton told the court exlaining that he made the remark in reference to something Mr. Miller had said to him. Then. Newton said, he told Mr.

Deakin something like: "I am your

The matter was dropped, he said, until four or five weeks later at Mr.

S. Africa Woman Killed by Elephant

JOHANNESBURG, Nov. 27 (AP) — A female elephant, apparently thinking its calf was being threatened by six tourists, charged and trampled a woman to death in a game reservation during the weekend, the Johannesburg Star

A guide, who had been escorting the group, tried in vain to intercept the animal, the paper said. The other tourists took cover. £15,000 [\$30,000] would be the

price," Newton testified.

At the start of the trial prosecuting attorney Peter Taylor charged that Newton had lured Mr. Scott onto a lonely moor to kill him but

only shot his dog. In March, 1975, Newton was arrested, convicted and sentenced to jail for possessing a firearm with

intent to endanger life.

Mr. Thorpe has maintained his innocence in the case. India Aide Puts

Child Workers At 10 Million

NEW DELHI, Nov. 27 (Reuters)

Labor Minister Ravindra Varma admitted today there were 10 million child workers in India, but, while expressing concern, he said child labor could not be abolished

Mr. Varma, speaking in the Lok Sabha (lower house) before it passed a bill to amend the Employ ment of Children Act, said any leg-islation should be enforceable and should not add to the hardships of people who send their children to Kills a Son, Self work out of poverty.

The amendment prohibits the

employment of children under 16 Jazz trombonist Frank Rosolino ports and railroads. It was severely year-old son and critically wound-criticized by several members for not going further, with some demanding a total ban on child labor.

Apparently shot and killed his 11-year-old son and critically wounded his 7-year-old son before taking his own life, authorities said today.

Mr. Rosolino. 52. and his

Mr. Varma said the first task was to insure that children did not work in dangerous jobs. The government Jason, was in critical condition in a may propose further legislation next year, which is International Children's Year.

United Nations studies have put the number of child workers in India at closer to 15 million, a quarter

Two-Week Assignment Lasted Four Months

British Newsmen Fly Out of Angola Trap

whisked to safety early yesterday in a secret air operation.

A light jet aircraft carrying the Independent Television News team on the final leg of their journey touched down at an airfield near Johannesburg shortly after midnight. Their arrival was kept secret

L. P. Weicker Sr. Is Dead; Headed U.S. Drug Firm

NEW YORK, Nov. 27 (UPI) — Lowell P. Weicker Sr., 75, the fa-ther of Sen. Lowell Weicker Jr., R-Conn., died Saturday at his home.

Mr. Weicker was a former direc-tor of Sperry-Hutchinson Co. and former president of E.R. Squibb and Sons and Bigelow Sanford Inc. Born in Stamford, Conn., Mr. Weicker graduated from Yale University in 1926 and shortly after-ward joined Squibb, which his father had built into a giant pharma-

ceutical concern.

During World War II, as a colonel in the U.S. Air Corps, he served as deputy director of intelligence for the U.S. strategic forces in Europe. He was awarded the Legion of Merit and Bronze Star the gion of Merit and Bronze Star, the French Legion d'Honneur and Croix de Guerre with palm, the Order of the British Empire, the Star of Solidarity and the Italian Grande Ufficiale al Merito Della Repubblica.
After the war, he was appointed

assistant secretary general for production and logistics for NATO by President Dwight D. Eisenhower. He served in that post from 1953 to

R. Hawley Truax NEW YORK, Nov. 27 (NYT) -R. Hawley Truax, 89, a former chairman of the board of New Yorker magazine and one of its directors for 46 years, died Friday.

For many years Mr. Truax served as an intermediary between Harold Ross, the intransigent edi-tor, and Raoul Fleischmann, the equally implacable publisher. From 1965 to 1969, Mr. Truax was chairman of the board. He retired in 1971.

Cardinal Trin Nhu Khue VATICAN CITY, Nov. 27 (UPI) -The Vatican said today that Cardinal Joseph Marie Trin Nhu Khue, 79, Roman Catholic archbishop of Hanoi, died in the Viet-

Casper H. Nannes

WASHINGTON, Nov. 27 (WP) - Casper H. Nannes, 72, a journalist who was religion news editor of the Washington Star for many years, died Saturday at his home in

Jazz Trombonist

LOS ANGELES, Nov. 27 (AP)

Justin were killed by single gunshot wounds about 4:30 a.m. yesterday, hospital with a similar wound. The police said that they found a suicide note but would not disclose its

The musician had been a pioneer in the use of the valve trombone in

newsmen trapped deep inside Angola for the last four months were ent Mike Nicholson, had originally gone into the Angolan bush in early August for a two-week assignment to interview pro-Western guerrilla leader Jonas Savimbi of the National Union for the Total Independence of Angola.

Within a week of their arrival, the Angolans, who learned of the team's presence, launched an offensive spearheaded by Cuban troops that effectively trapped them inside the guerrilla zone. They didn't leave us with much

choice but to stay." Mr. Nicholson said. "We were virtual prisoners because of the situation."

institution.

The team, the first television

Woman in Longest Human Coma

HOLIDAY. Fla. Nov. 27 (AP) when her temperature shot to 107
— Every day for 37 years Lucy
Esposito bathed her comatose tors thought she would die that daughter. Elaine. Yesterday, Elaine's death, at age 43, ended the long ordeal of a devoted mother who refused to hand over the job to

It also ended what is believed to be the longest human coma: 37 years, 3 months and 20 days. The

pendectomy in a Chicago hospital. go lirst and we'd have a few years Doctors were closing her abdomen for ourselves."

JOHANNESBURG, Nov. 27 to give them time to report their (UPI) — Three British television newsmen trapped deep inside Anthrough several countries before they reached their destination.

Mr. Nicholson, cameraman Tom Phillips and soundman Mike Dovle walked off the plane. They appeared thin and wore ill-fitting uniforms the Angolan guerrillas gave them after their own clothes

crew to enter the guerrilla zone since Angola's civil war three years ago, said the UNITA guerrillas are still a potent fighting force with abundant arms and high morale.

The ITN crew logged more than 1,500 miles with UNITA troops To pull them out, an air shuttle flew more than 1,000 miles through to be heavily armed with Western

Mrs. Esposito's husband. Lou.

"I lost them both within 10

months," Mrs. Esposito said. "Lou and I always figured Elaine would

Succumbs in U.S. After 37 Years

night.
But Elaine did not die then, and she did not die when she had pneumonia, or when death approached an institution. the other times - with measles, with gallstones, with a bowel

obstruction. Mrs. Esposito always refused to have her placed in an Guinness Book of World Records says it is the longest period of died last January of cancer. He was human unconsciousness ever

Elaine Esposito had been in the coma since Aug. 6, 1941, when, at the age of 6, she underwent an applied with food provided by truck

rassed the attackers' supply lines.

searching for signs of troops,

Morocco and Iran.

The UNITA forces and two other guerrilla movements have been fighting in the Angolan bush since being defeated in the civil war by the Popular Movement for the Liberation of Angola, which had the backing of Cuban forces.

EEC Acts to Improve Benefits for Women

BRUSSELS, Nov. 27 (AP1-The social affairs ministers of the European Economic Community adopted a new directive today that is designed to end, within six years, discrimination against women in pension and social security plans.

The proposal, first drawn up at

eases and disablement.

The guerrillas were kept on the move, Mr. Nicholson said, and his team kept pace with them, walking along elephant trails. As the gov-ernment forces pushed into the region, he said the guerrillas faded into the bush from which they har-

Often, he said, they had to dive into the bush for safety as MiGs and helicopters flew overhead

The guernilas told the newsmen much of their food came from South Africa, but they insisted the provisions were paid for in cash. They said they were also receiving financial and military and from

the end of 1976, covers health care, toss of incomes because of sickness or unemployment, old age, accidents at work, occupational dis-

WASHINGTON, Nov. 27 (WP) - The Coast Guard does not want it. Nor does the General Services Administration. The Maritime Administration wants part but not all of it. So the Cuyahoga, the 51-year-old Coast Guard cutter that sank

"You know the old joke about selling it for razor blades," a Coast Guard official said. "We think this is a better solution, I'd call it a decent burial." At the request of the Virginia Natural Resource Administration, the Cuyahoga will be towed 15 miles from the Virginia capes and ceremoniously sunk. The cutter, already stripped and painted overwill join several other shipwreck hulls as part of an offshore fishing

delicate and dramatic salvage operation, will be sunk again.

"We do not want to keep the vessel," Cnidr, Jack Goldthorpe said. "It's a liability to us."

Unwanted Coast Guard Cutter

To Be Given a 'Decent Burial'

in Chesapeake Bay on Oct. 20 and was subsequently raised in a

Eleven crewmen died when the cutter collided with an Argentine freighter near the mouth of the Potomac River.

Adm. Richard Knepp, Coast Guard controller, said that the disposal plans would be presented to GSA this week in Portsmouth. Va. He said that the Coast Guard was trying to decide whether to make the ship's mast into a memorial in honor of the crewmen who died in the collision. He said that the sinking would be accompanied "by some sort of ceremony.

2 Trapped Divers Die in North Sea **During Attempt to Rescue Them**

feet beneath the freezing waters of the North Sea for eight hours died on the brink of being rescued yesterday when their diving bell flooded as it was hoisted to the surface.

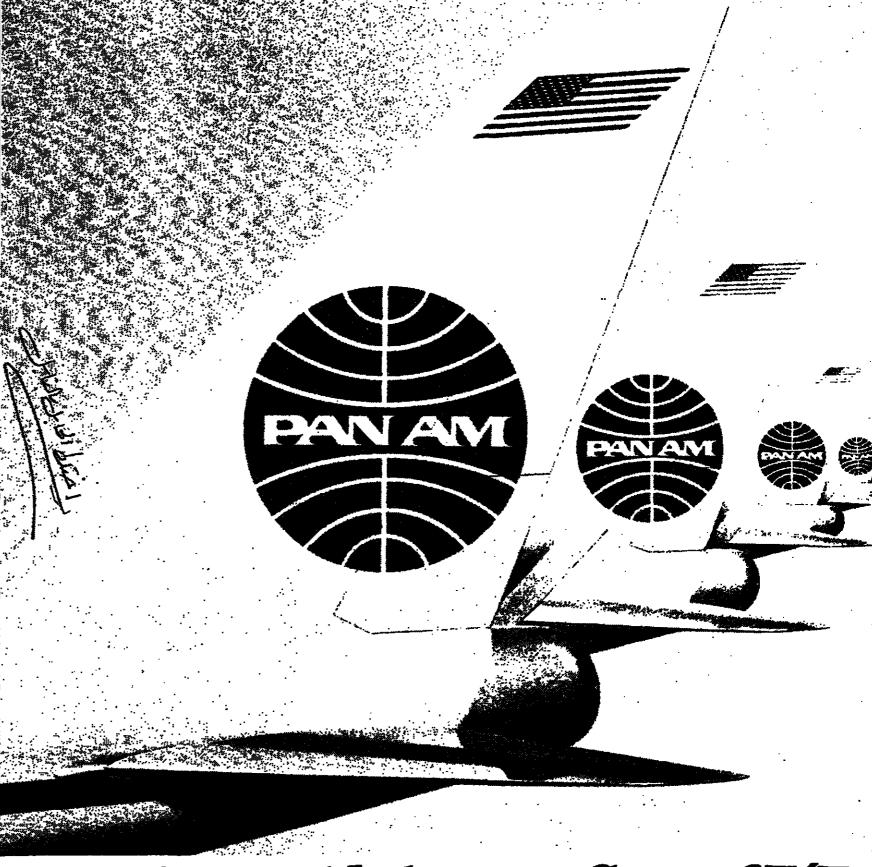
As rescuers tugged the tiny coni-cal-shaped capsule out of the mud, the seals on the door broke under the water pressure and the two drowned only 15 minutes from

and Mike Ward, 25, were finishing work connecting an oil pipe to a storage tank in the Beryl oilfield 200 miles off Scotland's east coast

ABERDEEN, Scotland, Nov. 27 when the diving bell plunged onto (UPI) — Two divers trapped 380 the scabed. A squall blew the fear hanged the fear hanged plunger state of divers' support thin Star Congress. the scabed. A squall blew the divers' support ship. Star Canopus, off course and the diving bell's lifelines were severed by an anchor

The two were missing for severa hours before colleagues in a minisubmarine located them and re-ported them "alive and well." A second diving bell went down

and fixed a towline to the sunker. vessel, which was still apright to hoist it up. But the door on the hase of the diving bell must have buckled or weakened when it plummeted to the scabed. As the lift began, the door burst and water



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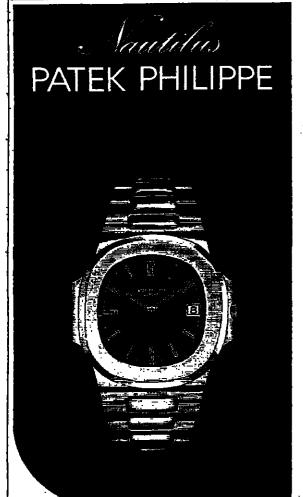
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Western Designers Turning to Tokyo

By Hebe Dorsey

TOKYO, Nov. 27 (IHT) — To-kyo turned into an international fashion scene last week as Japanese designer Hanae Mori flew in fashion designers from five countries - in order, she said, to encourage local talent to try to establish Tokyo as another fashion

On hand were designers Jean Muir of London, Gianni Versace of Milan. Thierry Mugler of Paris and Stephen Burrows of New York The Japanese were represented by Issey Miyake (based in Paris as well as here) and by Mrs. Mori. Other fashion-folk in atten-

dance: French Vogue director Rob-ert Caille, Women's Wear Daily publisher John Fairchild and Paris Chambre Syndicale de la Couture president Jacques Mouclier. Mouclier was here, in effect, to look after Madame Gres, dean of Paris couturiers and touring Japan



orchestre de paris contest

Monday to Saturday from 9:30 a.m. to 7 p.m.

• 1 DOUBLE BASS (4th. cat.) Contest: January 3, 1979. 2 RANK and FILE VIOLINISTS (4th. cat.) Centest: January 8 & 9, 1979.

• 1 RANK and FILE CELLIST

ORCHESTRE DE PARIS

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(for the first time) with a retrospec-tive of her styles of the last 30

Well before the fly-in, Tokyo had been internationalized: the week before, Rosita and Ottavio Missoni of Milan had held a series of fashion shows at Seibu's department store; before them Valentino was here to open his new boutique next to the Sunroser shopping area.

Chanel opened six boutiques in Japan this month, with designer Phillipe Guibourge and 12 mannequins launching the line (one function was a black-tie charity affair

attended by Japanese princesses
Mikasa and Takamatsu).
Manufacturers are also doing
their thing, with five days of collections from 33 makers at the French Fashion Center here.

In sum, with every major (and minor) European name signed up, the scene is so saturated that even J.S. designers have prospered here in the last year or so. For the first time Oscar de la Renta and Ralph Laurent, as well as Burrows, are beginning to make some impact in Japan; the leading department store, Takashiyama, held a September campaign called "Love Ameri-

The fashion waves have been traveling both ways, and in the last five years the activity between Ja-pan and Europe has been most noticeable at ready-to-wear time --when hundreds of Japanese photographers and journalists are on the

Not to mention businessmen like Yuzo Momota, whose Coronet Trading Co. is in its 26th year. He has long imported European lines of personal products and linens, but confirms the growing interest in American designers here: He is

French Prizes

PARIS, Nov. 27 (IHT) - The Prix Medicis, rewarding annually both a French and a foreign work, were today awarded to Georges Perec for "La vie, mode d'emploi" and to exiled Soviet writer Alexander Zinoviev for "L'avenir radieux"

"La vie, modé d'emploi" is a 600page novel in which Perec analyses the habits of the inhabitants of a Paris building that no longer exists. Zinoviev's book is a satirical criticism of Soviet socialism.

In another literary development, François Sonkin won the Prix Fem-ina for his novel "Un amour de pere" (A Father's Love), a story of the relationship between a father scheduling his first trip to New York for next spring.

But that, he said, will not affect European imports, which were \$270 million in 1975 and have grown since by 30 to 40 percent

Japanese women are different, he says, but they understand fashion quite well. However, maybe because the kimono mentality is not that far in the past, they are still shy — not to say conservative: Around Tokyo, the uniform is a classic blazer and skirt.

That explains the reason that the most conservative status-symbol names have no trouble selling originals despite staggering price tags (a Mila Schon can easily cost \$2,500). Such houses as Chanel. Gucci, Andre Laug and Burberry's all have large boutiques in department stores, and sell only originals.

But other names, including Chloe and Saint Laurent, are sold through licensing, which considerably lowers the prices. Even Paris-based Japanese Kenzo, whose prices are low by Paris standards, has to be made under license in order to be competitive.

Part of the reason is that the Japanese are prompt to understand and copy, and there is a group of Japanese designers who do good trendy collections at reasonable prices. Among them are Koshino, Inaba, Matsuda and Kaneko, who all do young, avant-garde styles, very much like their classmate Ken-

Japan is also an active fashion market because of the Japanese people's keen interest. Last week there was a 25,000-yen (about \$150) black-tie dinner and collection by Madame Gres. And Mrs. Mori, who held three fashion shows a day with her international designers, had little trouble raising \$10,000 for the Japanese Red

Fashion schools are proliferating in Japan, including Emode Jacquen's, which brings over top European designers every year. The Japanese fashion press. covering both textiles and styles, is enormous — with 30 publications, including two dailies, one of which has 200,000 circulation.

According to Pierre Baudry, who heads the French fashion center here, the Paris couture houses (Dior, Balmain, Ricci) developed here first because they had the best commercial structure. French ready-to-wear has grown threefold

here in the last three years. Since 1973 some 50 fashion establishments have sprouted, including Parco at Shibuya. New Melsa at Ginza and Hanae Mori's Space in

A handsome cubic assemblage of mirror-glass and steel, the Space, like most other Tokyo fashion buildings, is a combination of flower shop, cafe, boutiques, and restaurant. There is also an impressive "lab," with the latest sound and light equipment, for fashion shows.

According to Baudry, the fashion change that has affected Japan in the last five years stems from an increase in buying power and a growing westernization that affects food and living as well as fashion.

"The Japanese emperor," he notes, "now sleeps in a Western hed and has tea and toast for breakfast. The Japanese breakfast of fish, seaweed and bean soup would take him an hour.

A true Frenchman, Baudry also says that when I arrived there were three French bakeries in all of Japan. Now you can find French bread all over the country. But if European fashion is at its

peak in Japan today, it is still true that the country is dominated by the American way of life. U.S. fastfood chains are well represented, and Levis has, like everywhere else in the world, sewed up the youth

Paris Ballet Livened by London Choreographer cannibalism, although its vio-

By David Stevens

PARIS. Nov. 27 (IHT) — Kenneth MacMillan, the chief choreographer of London's Royal Ballet, has made his entry into the Paris Opera's dance repertory with a program of three of his works - something old, something new, something borrowed, and a few blue moments too.

In this case, the old was best. MacMillan created "The Song of the Earth" in 1965 for the Stuttgart Ballet and later for his own company in London, set to Mahler's symphony for orches-tra and solo voices of the same name. It is widely regarded as the choreographer's best ballet, with its free use of classical movement and its imagery of death as an omnipresent but consoling figure, and with it the Paris repertory has made a valu-able acquisition.

Figure of Death

The figure of death the companion, here called the Messenger, gained particular impact in a performance of almost weight-less grace by Patrick Dupond, one of the Parls troupe's best

bets for the future. He was strongly complemented in the other principal roles by Wilfride Piollet as the Woman and Jean Guizerix as the Man. Nicholas Georgiadis' simple backdrop and plain-colored tights provided the unobtrusive decor.

The new item "Metaboles," created for Paris to the brief but powerfully concentrated music of the same name that Henri Dutilleux com-posed for the Cleveland Symphony 15 years ago. To this nonprogrammatic score, MacMillan has devised a murky but ghoul-ish scenario that will doubtless enhance his reputation as a Freudian choreographer.

Evening Dress

In Barry Kay's set there is a table at which are seated a woman and five men in evening dress, the latter looking a bit like the macabre statesmen of Kurt Jooss' "Green Table" taking a night off from warmonger-ing. Behind the table is a semi-circle of mirrors, and the backdrop is a projection of an X-ray of a human torso.

The ensuing dance seemed to represent a scene of rape and

lent and agitated movements of-ten had a comic, cabaret air. (As a possible clue to the scenario, the program carries an excerpt from Oscar Wilde's "Ballad of Reading Gaol": "Yet each man kills the thing he loves. . ") The generous applause it got at the premiere Thursday must have been for Dominique Khalfouni, striking in a skintight, winecolored costume and brilliant in the nonstop acrobatics of her role. Patrice Bart was un-

MacMillan and Kay borrowed quite a bit from Paris ballet history for "The Four Seasons," a campy sendup of court ballet given in a version slightly revised from that done in London three years ago. The fun-loving gods and goddesses were got up in the plumed headgear and other paraphernalia of the Louis XIV era, while the music was what Verdi wrote for the obligatory ballet in his "Sicilian Vespers," commissioned by the Paris Op-

deremployed as the principal

There were a lot of chariots and plastic bubbles; some good dancers were lost in their over-

era in 1855.

funmaking reached a point of no return when Bacchus was whisked onstage aboard a wagon in the form of a phallus,

Musically the evening was a superior one, with Stewart Ker. shaw getting strong playing from the opera's orchestra. Jocelyne Tailion and Peyo Garazzi were the vocal soloists in an honorable account of Mahler's work the Dutilleux score got a per-formance of considerable intensity, and it was pleasing to hear the Verdi ballet music, which is almost never included in modern productions of the opera for vhich it was written.

The Paris Dance Festival which last week took a trip into exotics with the delicate nuances and sumptuous costumes of the Japanese Buyo company, and into the "post-modern dance"; exuberances of Douglas Dann and Dancers, winds up its season with two weeks of Rudolf Nureyev. He appears this week at the Theatre des Champs-Elysees with his ad hoc company of "Friends" before being joined by the Murray Louis Dance Company.

Waverley Root

The First Fish-and-Chips and Other Seafood Catches

The first written information we have about fish comes

in Mesopotamian inscriptions antedating $2300~\mathrm{B.C.}$

PARIS — The oldest living ver-tebrates — fish — may also be the oldest animal food that man has taken in sizes larger than individual portions. It is easy to believe that prehistoric man was capable of dealing with large fish before mastering large mammals or even large birds. That the first fishing tackle (after bare hands) seems to have been a bludgeon used to stun basking fish suggests that the vic-tims must have been of respectable

In the Upper Paleolithic period fish were already being killed with spears, supplemented in the Mesolithic period by the bow and arrow. It was still in Paleolithic times that the hook and line was used, the line a tendril from a vine, the hook a gorge -- a splinter of stone to lodge crosswise in the fish's throut.

Real hooks were eventually made from thorns, bone or horn; barbs were added in the Mesolithic period. Fishermen then were still bound to the banks and beaches until. In Neolithic times, the inven-tion of oars permitted them to pursue their prey in its element. By this time nets existed, and fish were also being trapped by damming

We know from bones found in kitchen middens that between the Upper Paleolithic and the Iron Age. European man ate pike, perch, bream, tench, pollack, cod, dogfish, flounder, eel, haddock, mackerel, whiting, wrasse and tuna - the last running to 30 pounds or more.

Fried Fish in Ur

The first written information we ve about itsh comes from Asia Minor — more than 50 different kinds are named in Mesopotamian inscriptions antedating 2300 B.C. In the city of Ur, fried fish were sold to passersby from street stalls. the distant precursor of the fishand-chips shops of England. The Egyptians ate eel, mullet,

perch and tigerfish, and doubtless all the fish of the eastern Mediter-ranean were available to them. Apparently they did not limit them-selves to fishing for food and commerce: Some carvings show rods and line being handled by persons dressed in the fashion of the wellto-do, suggesting that sport fishing had already begun. After all, it must have been fishing for fun in which Antony and Cleopatra were indulging when she hung a salt fish

Early Cretans took tuna, perhaps named 110 species of saltwater fish

they did so with a vengeance. Lu-cullus drilled a tunnel through the coastal cliffs at his villa near Naples to let water into a series of tanks with muddy, sandy or rocky bottoms and planted with different kinds of seaweed to please every

Pompey sneered, but he begged fish from Lucullus all the same. The most impressive department in Trajan's Market, built in the 2d century A.D. and not equaled since, was that devoted to fish on its top floor, at the height where the aqueducts entered Rome and provided water for the tanks in which inland fish were kept alive, while cistern carts from Ostia provided

species of fish. "Xerxes in a toga,

salt water. Cistern ships carried live fish from North Africa, the Near East, the Red Sea, the Indian Ocean, and from the interior lakes and streams of Persia. Water-filled carts crossed Gaul carrying live salmon from the Rhine, trout from the Vosges, and saltwater fish taken off the coast of Brittany. Dead fish traveled in wagons filled with snow or ice, replenished from silos at frequent relays.

Meanwhile, Chinese traveling salesmen of the 2d century B.C. were selling dried fish throughout the empire under the Han dynasty. When Marco Polo reached China, he was impressed by the fish market of Hangchow, where every day "a vast quantity of fish is brought upstream from the ocean, a distance of 25 miles. . . In a few hours the whole lot has been cleared away."

Enormous quantities of fish were consumed in the Middle Ages, partly because of the rigorous rules of the Roman Catholic Church nearly half the year was meatless. Heavy demand for fish accounts for some of the vagaries of history. Norman sway from Scandinavia to Sicily resulted not only from the quality of Viking ships or the valor of Viking warriors, but also from the fact that their salt cod gave them imperishable rations for long

Herring Tides

In the 13th century, the juxtapo-sition of the sun, earth and moon created tides that swept the herring of the North Sea into the Baltic thus was born the Hanseatic League, its power founded on fisheries. The heavenly bodies reshuf-fled themselves after the 15th century; the fish moved south and Holland developed a fishing fleet and consequently sea power.

The English proved sluggish about pursuing fish despite such protests as that of the disgruntled Briton who complained, "We are daily skorned by these Hollands for being so negligent of our profits, and careless of our fishing, and

they do daily floute us. . . at sea."
As a result the Dutch were in the rich Spice Islands before the English. Elizabeth I recognized the importance of a fishing fleet as the basis for a navy. She multiplied official fast days and enforced them strictly to encourage fishing (and to conserve meat).

from Asia Minor — more than 50 different kinds are named

Most of the fish eaten in medieval and Renaissance times was dried, salted or pickled. Fresh fish was a luxury usually available only to the rich. Rivers and lakes belonged to the lords of the land, and poaching was punished ferociously. (The lords of the land were often moasteries, built on water expressly to have fish; when they were not, ponds were constructed and stocked.) Saltwater fishmongering was so profitable that in Paris, for instance, the coat of arms of the fish merchant guild became the seal

of the city - and still is.

Basque whalers discovered America before Columbus did. Pursuit of their prey led them as far as the Grand Banks, where they discovered that cod offered richer rewards taken with less danger. To keep a good thing to themselves, they told nobody where they were fishing. When Columbus arrived, he found Caribbean Indians preserving fish by wrapping them in leaves and drying them in ovens. In Mexico, the Aztecs raised fish in the lake surrounding what would become Mexico City; in Peru, Inca rulers had relays of runners carry fish from the Pacific to Cuzco, 130

miles inland and 11,380 feet up.
On North America's Pacific coast, fish and shellfish constituted three-quarters of the food of pre-Columbian Indians. On the Atlantic, where Captain John Smith found "an abundance of fish. lying so thicke with their heads above the

water, as for want of nets. . . we attempted to catch them with frying pan," some tribes were skilled broilers of fish, while the Creeks and Seminoles with the Days of the Creeks and Seminoles with Creeks and Seminoles steamed them with fruit. To the north, Fran-cis Higginson wrote in 1630, "The abundance of Sea-fish are almost beyond believing, and sure I would scarce have believed it except I had seen it with mine owne eyes."Indians had long been taking fish by know from the excavation near Boston of an elaborately woven weir carbon-dated at 2000 B.C. highly sophisticated methods, as we

The Pilgrims at first were indifferent fishermen, but salt cod eventually became the mainstay of the Massachusetts economy and an important element in the slave trade, But the New England fishing in-dustry never recovered from the Revolution — its peak was regis-tered about 10 years before the Declaration of Independence.

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And in Gloucester today, the codfish processors buy their raw. wares from Polish trawlers fishing off Massachusetts. U.S. fishermen cannot compete with them,

Records

Some of the Good Sounds of '78

By Michael Zwerin

PARIS (IHT) — As the end of the year approaches top pop and jazz records issued in

Ron Carter, "A Song For You" (Milestone 9086, European distri-bution by Musidisc): A good jazz record for people don't like jazz. Ex-bassist for Miles Davis, made his instrument sing in a

special way. He is now doubling on piccolo bass, a cello-like instrument which sounds particularly beautiful on "Some Day My Prince Will Come."

Larry Coryell and Philippe Catherine, "Splendid" (WEA Elk 52086): Two of the best guitarists in the world: lucid musicians with large vocabularies having humming conversations. Coryell, the better known of the two, is often content to play under Catherine, but it is in any case difficult to separate them. Solos and accompaniment flow together as though played by one gui-tarist with four hands.

McCoy Tyner, "The Greeting" (Milestone 9085 usidisc): Strong African-based rhythms with honest and interesting free improvisation above them, particularly by George Adams on reeds and Tyner himself. Tyner grew to prominence as John

ARIS (IH1) — As the end of the the year approaches, here is the year approaches, here is (ECM 1102): Wheeler is a bright the new generation of French poper approaches. new trumpet star with a fat sound, good range and flashy technique. His achievement is controlling all of this in favor of lyricism and

taste. He is helped by a strong rhythm section consisting of John Abercrombie, guitar, Dave Hol-land, bass, and Jack DeJohnette,

Rene Urtreger, "Recidive" (Sonopresse 064-16626): Urtreger is a keeper of the flame, like Barry Harris a guardian of Bud Powell's relevancy. He seems to be saying, "See, if I can go on playing bebop piano this passionately, the least you can do is listen."

Weather Report, "Mr. Gone" (CBS 82775); John McLaughlin, "Electric Guitarist" (CBS 82702): "Jazz-rock" is a treacherous territosomewhere between creativity and the marketplace. Thes two al-burns touch both bases about as well as possible. Weather Report concentrates less on improvisation nowadays, but Joe Zawinul's tunes are often exquisite, and Jaco Pastorious is the Paganini of the bass-guitar. And McLaughlin is an al-chemist who can transmogrify any material he touches.

Rolling Stones, "Some Girls" (RS 2C 068, 61.016): Best Stones album in years. Swinging, funky, funny, poetic at times, this material is believed accordance by the attention is helped considerably by the ex-traordinary harmonica player Sug-

Coltrane's pianist in the '60s. Now he is becoming a prominent leader.

Maxime Le Forestier, "Number 5" (Polydor 2473.089): Le Forestier is among the more interesting of Brassens and Brel and, like them, his chansons are neither su-

> perficial nor pretentious. Ryo Kawasaki, "Nature's Revenge" (MPS 0068.191): Kawasaki played guitar with Elvin Jones for several years. He is extremely talented with a wide frame. of reference including funk, main-stream, free jazz and Villa-Lobos (Preludio No.2). The album features first-rate saxophonist Dave Liebman, who has arrived at a personal distillation of Coltrane's

Arts Agenda

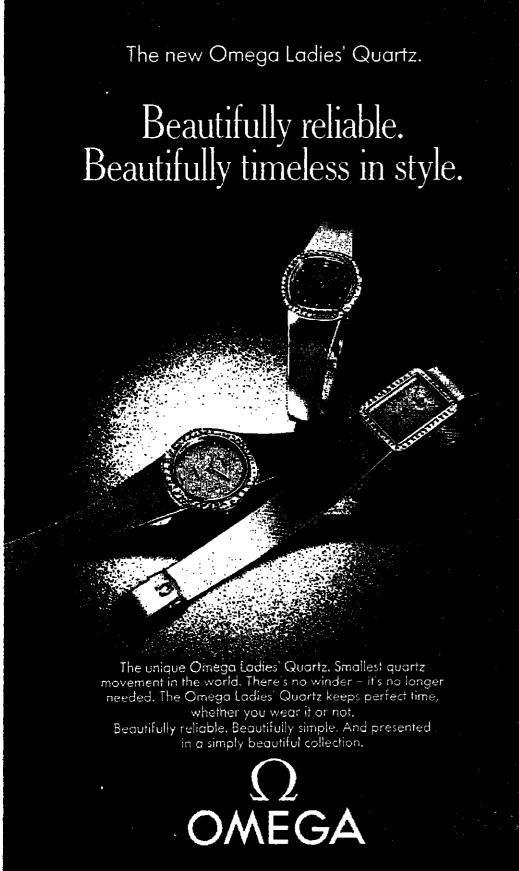
Beethoven's "Fidelio" will be given Dec. 3 by the Grand Theatre of Geneva in a staging by Claus-Hel-mut Drese and with sets and costumes by Josef Svoboda and Jan Skalicky. Hans Zender will conduct a cast headed by Robert Knie in the title part. Jutta-Renate Ihloff, Hermann Winkler, Leif Roar, Karl Ridderbusch. Franz Crass and Douglas Ahlstedt. Other perfor-mances are scheduled for Dec. 5, 8. 10 and 12.

Natalya Gutman, the noted Russian cellist whose appearances in the West have been rare, is scheduled to give her first performances in Vienna since 1959, when she won an international youth competition there at the age of 17. On Dec. 7. Gutman, a former pupil of Mstislav Rostropovich, will play at the Konzerthaus in the Haydn Concerto in C and in Prokoffer's Symphony Concertent for cells Symphony Concertante for cello and orchestra, with the Vienna Symphony Orchestra under Anton Nanut. On Dec. 10, with pianist Vasili Lobanov, she will play works by Beethoven, Brahms, Schumann and Shostakovich, also in the Kon-

Malraux Honored

PARIS, Nov. 27 (IHT) — Mayor Jacques Chirac has renamed the Place du Theatre Français the Place Andre Malraux in honor of the famed author who was Charles de Gaulle's Minister of Cultural Affairs from 1959 to 1968. The place faces the Comedie Francaise. Malraux died in 1976.

AUTHORS WANTED



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PARIS, NOVEMBER, 1978

TWO

Euromarket

Itche Foreign Bonds Top Euromart Share of International Issues

Yankee Bonds Expected To Post Another Decline

By William Castle

below those in the Yankee bond the market uncertainties and rising in-Management terest rates in this country, new is-Substitution of foreign bonds—the so-long called Yankee bonds—in the United States this year are likely to their second straight annual

After a burst of fairly heavy ac-" his tivity around the turn of the year, in new issues thinned out. The 1978 " ! 'a rate of new offerings has fallen well 10 to behind the 1977 pace.

Statistics collected by Salomon Brothers show that foreign public bond issues in the United States. including those of Canadian and international-agency borrowers, in the first 10 months of this year totaled \$4.19 billion, an average of \$419 million a month, down from \$452 million a month for all 1977.

With the exception of activity planned for the lively Canadian bond sector, "I don't know anyone who has a Yankee bond even on the back burner," said one investment banker. Thus it appears that down from the \$5.42 billion of 1977, the record \$6.3 billion of 1976 and the \$5.7 billion of 1975.

This would make 1978 the least

productive year for new Yankee hond issues since U.S. authorities opened up the market for growth by removing the Interest Equaliza-tion Tax (IET) in 1974. The IET was a capital outflow control that in effect prevented some supranational agencies as well as borrowers from many countries from raising unds in the U.S. bond market. The first foreign bond issue made possiole by the ending of IET took place n December, 1974.

Different Definitions

Definitions of the Yankee bond differ. How many foreign bonds can dance on the head of the Yankee pin is an issue that investment bankers have not settled to everyone's satisfaction. By and large, purists disqualify bonds of those countries and institutions, including Canada and the World Bank, that were not subject to IET. There is also a question about whether bond issues of U.S. "shell" companies, most of whose assets are located outside the United States, quali-

However, some bankers define the term Yankee bonds as synonymous with foreign and international public bond issues in the United States. For the sake of simplicity,

this definition is used here. Analysts ascribe the decline of Yankee bond issuing activity this year to the dollar's sharp international decline prior to the U.S. administration's Nov. 1 currency-

support package as well as to rela-tively high U.S. interest rates. John E. Carney Jr., senior vice president at Lazard Freres & Co., noted that the dollar's long slide led many potential borrowers to the conclusion that the dollar was "oversold" and due for a sharp rebound. The possible prospect of borrowing cheap dollars and later on repaying "dear" dollars deterred some issuers, he indicated.

Turbulence on the exchange markets also affected potential investors in Yankee bonds, said Ronald M. Stuart, vice president at Salomon Brothers. Noting that for-eigners make up a significant portion of the buyers of Yankee bonds, Mr. Stuart said that the dollar's extreme weakness left these potential investors with little appetite for dollar-denominated securities.

Most Favorable Rates

With regard to interest-rate factors, Mr. Stuart commented that foreign borrowers have access to many markets outside the United States and tend to raise funds where rates are most favorable. Yen, Deutsche marks, guilders and Swiss francs have been available at

Eugene Rotberg, vice president and treasurer of the World Bank, has said several times that the bank is not borrowing in the United are too high. In fact, the World Bank has been out of the U.S. market since July, 1977.

William J. Voute, general partner at Salomon Brothers, said prospects for a revival of new-issue activity in Yankee bonds depend to a large extent on U.S. success in fighting inflation and strengthening the dollar. Good progress in these areas would reduce currency risks for borrowers and investors and would pave the way for lower interest rates, he indicated.

Lazard Brothers' Mr. Carney said the extent of new issues next year will be governed by the level of U.S. interest rates relative to those in other capital markets that compete to supply funds to big borrowers. If interest rates are equal, the U.S. market should have an edge because it offers borrowers longer maturities and bigger issue sizes than are available elsewhere, inclined, given competitive U.S. in-terest rates, to return to the Yankee bond market just to keep their names before the investing public, be added, without making an inter-

est-rate projection.

Despite the slump in new issues. the supply side of the market did experience some high points this year. The British government entered the U.S. market for the first time in post-World War II history. selling \$200 million of seven-year bonds at 81/2 percent and \$150 million of 81/3-percent, 15-year paper. last April. The government of Canada floated two giant issues of \$750 million each in October and March.

Attraction Abroad

The demand side of the market also exhibited interesting develop-ments. Japanese investors have moved vigorously into the Yankee market. They particularly favor issues of entities that have borrowed in Japan. Eric P. Sheinberg, partner at Goldman, Sachs & Co., said the firm maintains a 24-hour trading

(Continued on Page 15)

The way the Eurobond market works is far from ideal. As conditions have become tougher, the market's faults have become more apparent. The faults have also become much harder to ignore now that foreigners can — and increasingly do — raise money directly on the New York bond market by issuing what are known as Yankee bonds. Nearly half of all dollar issues by international borrowers this year have been in New York. . .

Eurodollar Bond Market in Dry Period

By Anne Segall ONDON (IHT) — The pipes are beginning to squeak in the Eurodollar bond market.

Only a year ago, everyone was trying to get into the act. Every month \$2 billion of new bonds were being issued, and borrowers were paying out between \$45 million and \$50 million a month in fees. For U.S. investment banks, used to a commission of 1 percent or less at home, European fees of 2-2½ percent looked mouth-watering. Bond house directors, like everyone else, grumbled about their over-heads in London, but they slept easy at night. There was so much money about that most could pay

dried up. Investors have been going liquid against a background of rising U.S. interest rates and a weak dollar. With short-term rates now substantially higher than long-term rates, it actually pays them to play safe. There have been virtually no new issues - and no fees - since the summer. To make matters worse, bond houses have had to give up a large proportion of their commissions in the form of discounts to investors to incite buy-

But bond houses have more to worry about than just loss of income. The way the Eurobond market works is far from ideal. As conditions have become tougher, the market's faults have become more apparent. The faults have also become much harder to ignore now that foreigners can - and increasingly do — raise money directly on the New York bond market by issuing what are known as Yankee bonds. Nearly half of all dollar issues by international borrowers this year have been in New York, compared with just one one-third usually just 0.6 percent. Bond deal-last year. Comparisons between the ers who are invited by the mana-

two markets therefore become inev- gers of an issue to join the selling

Enrope compares badly, not so cent as a discount to other profes-much for the borrower as for the sional dealers. If they sell directly investor and the bond houses. For the borrower, the cost of making an issue in either market works out roughly the same. The score is as

Interest

Higher commissions in Europe add about 26 basis points to the cost of making a five-year issue on a coupon of, say, 8 percent. On the other hand, interest in Europe is payable annually, rather than semiannually as in United States. That adds around 18 basis points to the relative cost of a Yankee issue and leaves the U.S. market with a net advantage in pricing terms of just et expenses such as legal fees and printing costs tend to be higher in the United States, and the time it takes to get an issue registered with the U.S. Securities and Exchange Commission can be costly, especially when market conditions are now almost always fall to a dis-

European market is not nearly as discriminating as the U.S. market, so non-prime-rated borrowers can sometimes get a better deal - or at Europe. Lately, European bond houses have become so desperate for business that they have been prepared to offer borrowers chean money by underpricing issues and making it up to investors by giving away part of their commissions in the form of special discounts. In the United States this would be strictly against the rules. The

ensure that issues get properly priced in the first place, that they are marketed in an orderly and disciplined fashion and that only dealers with genuine placing power Unless market conditions change unexpectedly in the middle of an

issue, the price should remain stable in the secondary market once the syndication process is over and the bonds are "free to trade." Investors can feel confident that they are buying their bonds at an riate price and that they will eight points. But then, out-of-pockease should they want liquidity at a later stage.

group can only "re-allow" 0.25 per-

cent as a discount to other profes-

to the public, they must ask the full

issuing price, at least while the is-

sue is in syndication. The aim is to

Issues in Europe

Not so in Europe, where issues

volatile. So on balance, there is lit- count in the secondary market and tle to choose in pure cost terms be- where there is often an overhang of tween the U.S. and European mar- unwanted bonds for several weeks after an issue. The fault in Europe Borrowers are also remoted into is with a commission structure that Europe by less tangible factors. The not only gives 11/2 percent out of the 21/2-percent overall commission to the bond salesmen but permits them to "re-allow" the full amount to any buyer, whether a professionleast a warmer welcome - in al dealer or not. Bond houses without any real placing power are then happy to pocket the 3/8-percent or 1/2-percent underwriting commission and dump the bonds they have been allocated at a discount. Often the lead manager of an issue is forced to buy in unwanted bonds that are hanging loosely over the secondary market to prevent an issue becoming a "flop," so the job of finding genuine buyers devolves commission for selling bonds is ultimately on him. It is difficult, moreover, to detect

retail outlet for bonds and which are simply "cheating." For the mar-ket in Europe is still relatively new. and there are too many participants to ensure any real discipline. The Zurich-based Association of International Bond Dealers (AIBD) boasts more than 100 members. By contrast, in the United States the bond issuing business is dominated by a dozen or so major investment banks. As one Wall Street firm put it: "In Europe, nearly everyone lies, but in America the bond market is built on a fabric of honesty." Major institutional orders for bonds are openly discussed during the syndi-cation process. If any salesman finds he has unsold bonds on his hands, he will inform the syndicate manager who can then take them them. Anyone who fails to come clean about his selling capacity is much more likely to be found out in the United States than in Europe

which bond houses have a genuine

The practice of "re-allowing" the selling group commission is now so entrenched in Europe that major buyers (i.e. central banks and offshore insurance funds) expect to get their bonds at a discount. This ves the big European commercial banks (especially the Swiss, who run huge investment portfolios for their clients) a great advantage. For they can place bonds in-house at the issuing price and keep the 11/2percent selling commission for themselves instead of having to pass it on to third-party investors, often have to.

and would be ostracized by the

bond issuing community.

The Swiss would deny this. But, say their critics, why, then, do they tend to buy only Eurobonds for their clients, giving most Yankee is-sues a wide berth even when they offer investors a better yield? And

(Continued on Page 14)

Flight Out of the Dollar Stalls Eurobond Activity

By Carl Gewirez

PARIS (IHT) — The U.S. decision to mount a \$30 billion rescue package for the dollar shattered whatever illusion still lingered that the world was indefinitely willing to go on holding ever increasing amounts of dollars.

The rescue operation itself was proof that the rest of the world was at its limit. The question now is whether the recent enormous private and official shifts out of the dollar represent an irreversible pro-cess of portfolio diversification or whether these funds will move back into dollars in coming months as (and if, some would say) the cur-

rency recovers.

The "underlying assumption" of U.S. policy, Undersecretary of State Richard Cooper told a foreign exchange conference last week, is that this diversification is a temporary phenomenon and will be reversed as the nation's inflation and current-account deficit are brought under control. He believes that other financial markets lack the openness and depth to support such a shift. But many analysis question

whether, with the world evolving into currency blocks Deutsche mark in Europe and the yen in Asia — and the dollar in recent years yo-yoing inversely to the ups and downs of the U.S. economic performance, the diversification witnessed in the last quarter is not permanent. Such a development would not necessarily impede a re-covery of the dollar on the foreign exchange markets as the "hot money" held offshore — which moves in response to interest-rate and foreign-exchange developments - dwarfs the pool of investment funds.

Less of a Problem

The major impediment to portfolio diversification, however, is the availability of nondollar paper. An Arab banker, for example, notes that Mideast investors wanting to make equity investments are virtually barred from non-U.S. markets. "Large orders, easily absorbed on Wall Street would appear massive in the smaller European markets and trigger a political reaction," he

But bonds present less of a prob-

lem. According to data compiled by Morgan Guaranty Trust, dollardenominated bonds floated in the first 10 months of this year accounted for 42 percent of total international issues compared with 59 percent in the year-ago period.

New-issue volume in the dollar sector of the Eurobond market was down 37 percent from a year ago at \$6.44 billion (floating-rate notes accounted for just over half of this volume) and accounted for 53 percent of total Eurobond issues compared with 66 percent a year ago. Foreign bonds sold in the United States were off 16 percent at \$5.27

The overall volume of interna-tional bond issues — Eurobonds as well as foreign bonds sold in domestic markets - floated so far this year is just about equal to the \$28 billion floated in the first 10 months of 1977, but the Eurobond share of this total - amounting to \$12.21 billion - fell to 44 from 55 percent in the year-ago period.

So far this year, the volume of Eurobonds is down 21 percent from the \$15.42 billion floated in the period a year ago. But the volume of DM-denominated Eurobonds, up 25 percent from a year ago, accounted for 36 percent of the total, up from 23 percent. Including foreign bonds sold in Frankfurt, the mark accounted for almost 22 percent of total international issues this year, up from 19 percent in the year-earlier period.

With actual market conditions being what they are, it is unlikely that the coming months will be a fair test of investor attitude toward the dollar. It is widely assumed that the Federal Reserve's tightening of monetary policy has not yet run its course and that short-term interest rates have yet to peak, probably some time in the first quarter.

As typically happens in such periods, there is an inverse yield curve with short-term rates, responding to official pressure, well over yields available on bonds. The six-month Eurodollar rate is currently around 12 percent. But as the tight money conditions are not expected to last indefinitely, the yields on five to 10-year Eurodollar bonds range from about 9.2 percent on five-year paper to 9.6 percent on long-term issues. This means that a considerable amount of funds that might move into the bond market is sitting short term, although it must be noted that dealers report institu-tional investors have begun buying bonds on the secondary market to lock into high yields in the belief that further increases in yields will

Third World Is Increasing New Issues of Eurobonds

Compared with the Eurocredit

By Brian Thompson ONDON (IHT) - The less de-

are not members of the Organization of Petroleum Exporting Countries are expected to have a combined current account deficit of some \$25 billion this year, on top of \$21 billion last year and \$25.5 billion in 1976. The financing needs of the LDCs are more pressing than those of the industrial countries, which as a group should be back in surplus this year, and of the OPEC countries, whose surplus will be substantially reduced but still healthy.

The LDCs are most in need of alternative financing routes, such as the Eurobond market. Yet their very need makes the prospect of their borrowing on a large-scale through bonds unalluring to investors. LDCs have traditionally had to rely on the syndicated Eurocredit market for the bulk of their commerical overseas borrowing.

Compared with the Eurocredit name that is receiving its funds. For the bond investor - typically a the first half of this year and 73 well-to-do individual or a conserva- percent in 1977. tive institution like a pension fund - a high degree of security is as important as a good yield.

Investment in a Third World

seen as inherently less safe than leading to a sovereign European ONDON (1HT) — The less developed countries (LDCs) that like the World Bank or a multinational corporation. And less adequate data on LDC economies would often make it difficult to sat-isfy standards of disclosure of information required by stock exchanges that list bonds.

New Issues

Nevertheless, the volume of new issues floated by LDCs in the pas 18 months or so has risen, helped by the continuing abundance of li-quidity in international banks that has spurred the search for new

According to the European Investment Bank's statistics, the proportion of new issues of public international bonds (foreign bonds, as well as Eurobonds) made by LDCs averaged 10.5 percent of the total in the 18 months from January, 1977, to June, 1978. This was well up on the 4.5 percent recorded market, the Eurobond market is in 1976, although still tiny commore fussy about the quality of the dustrial countries of 81 percent in

The figures for LDCs exclude the oil-exporting countries, whose own recourse to the bond markets has been rising. From only \$67 million francs have been available at "hundreds of basis points" country — even with the governing 1975, this borrowing swelled to lowing humps in debt repayments ment itself as the borrower — is \$768 million last year and a provious to be ironed out. The fixed rate of

market, the Eurobond market is more fussy about the quality of the name that is receiving its funds.

sional \$993 million in the first interest against the floating rate of three-quarters of 1978, according to the syndicated credit market per-Morgan Guaranty figures. For non-OPEC LDCs in these three quarters, Morgan Guaranty estimates borrowings through international bonds of \$2.26 billion, out of a total of \$24.65 billion, compared with \$1.74 billion out of \$25.6 billion in the same period of 1977.

Eurobonds

For LDCs, the attractions of borrowing via Eurobonds are obvious. Maturities - at least until recently - have tended to be longer than in the Eurocredit market, al-

mits more refinement in the pattern of debt servicing. There is more prestige attached to borrowing in the Eurobond market because of its greater sophistication. And a largely different set of final investors is

Above all, a Eurobond issue is generally cheaper than a syndicated credit, especially now when the sixmonth London interbank offered rate (Libor) — the benchmark for Eurocredits — is at 11% percent and Third World borrowers in the Deutsche mark sector of the Eurobond market can command coupons of 6-7 percent. Obviously, a recovery in the dol-

(which also include higher fees than on credits and the smaller amounts available) are outweighed by the advantages.
The majority of Third World

time of a seven or eight-year bond

launched this year. But at the moment, the drawbacks of bonds

names that manage to float Euro-bond issues are from the higher-in-come countries. Brazil, Mexico, the Philippines and Argentina. These are the LDCs that have already tapped the syndicated credit market for large amounts. Latin American borrowers have been especially active this year.

Deutsche Mark

With the Eurodollar sector of the market dead, these countries have turned, as other borrowers have done, to the mark sector, where the lower coupons available mean an attractive yield can be offered by an LDC to the investor without pushing the costs too high for the borrower. Venezuela, Mexico, Trinidad and Tobago, the Philippines, Argentina, Brazil, Indonesia and development banks from places like Algeria have all been in the DM sector this year.

The response to some of them has been warm. Oil-exporting Venezuela's 200 million DM issue

in March was increased by 50 million DM and was still priced above lar and a corresponding reaction from the mark could make the ad-vantages less clear during the lifepar at 101. Argentina's issue in March was increased from 100 million DM to 150 million DM, the coupon was cut from 6% percent to 6½ percent, and there was still unsatisfied demand.

The influx of more exotic names into the market in the first quarter helped cause indigestion. Nevertheless, the increasing popularity of the mark sector during the year has helped narrow the spreads between prime borrowers and LDCs.

LDCs have also sought out less popular sectors of the Eurobond market. Brazil raised 75 million guilders earlier this year and Panama did an issue in European units of account in September. Floating rate notes in dollars have also been popular with banks from the Third World. Panama recently borrowed \$70 million through floating rate serial notes.

Names from Panama, the Philippines, Mexico, Algeria, Morocco and other well-borrowed LDCs have been quick to take advantage of opportunities to borrow in Arab currencies (the Kuwaiti dinar, the Bahraini dinar and the audi riyal). Kuwait has a growing accordary market in its dinar bonds. Maturities have been stretched to 12 years but, as with all borrowings in Arab currencies, a considerable exchange risk has to be borne.

Reluctance

not be substantial,

But new-issue activity is held back by borrowers' reluctance to pay so much for long-term funds as well as dealers' unwillingness to inventory new issues.

At the same time, it is doubtful that the Samurai bond market for foreign issues in Japan will remain as active — some \$3.4 billion so far this year compared with \$1.27 billion in all of last year - as Japan's current-account surplus is expected to narrow very sharply next year. reducing the nation's need to cut its overall balance of payments surplus through exports of capital.

Meanwhile, with Switzerland

and West Germany focusing on containing their exchange rates at the expense of a rise in their national money supplies, inflation in these countries may pick up and drive up borrowing costs. Both tendencies are likely to be exacerbated in West Germany by the pick-up in economic activity now underway. Bankers report that the Swiss-franc bond market is already suffering in anticipation of higher interest rates. Buyers are absent, blocking new-issue activity and causing sharp drops in the secondary market as investors seeking to take profits on the franc's rise are unable to unload present holdings.

Floating Rate Notes: Increasing Sophistication and Maturity

By James Monroe

ONDON (IHT) This year has proved to be the year when floating rate notes (FRN) really came of age: it may also prove to be at least a temporary turning point for the sector's fortunes.
Issues of FRNs so far this year

have substantially exceeded the to-tal for 1977. The second and third quarters alone topped the \$1.7 bil-lion raised last year. It was in the late spring this year.

in anticipation of rapid increases in U.S. short-term rates, that attention in the bond market focused on floaters. The volatility of rates through the summer, as well as the realization that the hike in the dollar rate was to continue well into 1979, gave rise to frantic activity. In the traditionally quiet month of August, there were 14 FRN offerings totaling \$800 million; in the previous month, half the funds raised in the bond markets were

The lion's share of the business has gone to the same top four houses as in 1977: Credit Suisse First Boston, European Banking Co., Orion and Banque Nationale de Paris. CSFB alone managed issues totaling more than \$0.5 billion in the first nine months, a prodigious performance that more than tripled the funds raised in the same period last year by the top manager, European Banking. By the end of Sep-tember, more than 14 houses had managed an issue or issues worth more than \$100 million as against just six houses in 1977.

It is only at the top of the second division that the pecking order has changed; First Boston (Europe). Chase Manhattan and County Bank have all moved sharply up the league tables, displacing most nota-bly Credit Commercial de France and Commerzbank.

Sophistication

But it is not only the growth of the sector that has been testing the issuers. Their ingenuity has been tried by the increasing sophistica-tion and maturity of the sector. A wider range of instruments, in terms of the type of borrower using the market and in terms of the notes themselves, has been made available to a market that with few

ISSUES OF FLOATING RATE NOTES

Year	Quarter	In Millions of Dollars
1 977	l st 2nd 3rd 4th	575 450 325 325
1978	l st 2nd 3rd 4th	500 725 1010 200-300
= Estimate		

exceptions has been happy to absorb the heavy program of new the syndicated credit market exexceptions has been happy to ab-

This has been due to a number of factors: the clear trend in interest thusiastic pricing, given the volatilirates, the obvious attraction of an ry that has occurred in the market investment tied to short-term rates in a rising market, and the percep-tion that because of this floaters would be less volatile and more marketable than straight issues.

The most obvious new characteristic of the market has been the trend towards nonbank borrowers. The \$100 million issue by Offshore Mining Co., under a New Zealand government guarantee, was a notable example.

Spreads Reduction

Second, maturities have grown longer as the year progressed, with the \$50 million floater from Caisse Co-operation Economique, with its 20-year terms, setting a new

Third, the introduction of an amortization schedule for some FRN cal medium-to-large company in more money or promising high issues has solved one of the immediate drawbacks that had begun to concern banks buying these instructions of the instruction of ments. The increase in stocks of low margin yielding FRNs held by the banks could, it was thought, overhang the market at a time of improving margins. The amortiza- are redeeming their debts early. tion schedule will make floaters even more comparable with syndi-vantages of the Euromarket corpo-corporations "crowded out" of 1973 faced bond yields on long-cated credits and reduce this poten-rate borrowers from around the their local capital markets, less determ Eurodollar issues of 8.30 percated credits and reduce this poten-

floater issued by Chase Manhattan in July carried a margin of only 1/8 peak before the end of 1978, the percent over the London interbank offered rate (Libor). Priced at parthe isssue was trading a few days later in the secondary market at 981's percent in spite of attempts by bank's issuing houses to stem

The reduction in spreads has not been matched by a reduction in issuing fees, a point that has caused some disagreement in the market between the borrowers and the syndicated credit markets, issuing houses believe that this reduction will only be a matter of time. Apart from these minor difficul-

ties, the sector has had — until the troubles of the dollar — a smooth ride, especially in comparison with the straight dollar market. But the dollar problems and the current prospects for currency and interest rates in light of the measures taken by President Carter suggest that the bloom is off the rose.

Although there is wide disbelief in the pronouncement of Federal "At the same time there will be a Reserve Chairman William Miller flood of paper coming from inves-

market expects that peak to occur during 1979, probably in the first half of the year. The rapid rise in short rates has produced the abnormal situation of an inverse relation-ship between yield and maturity; this has been a boon to floaters because their yields are tied to shortterm rates even if they share other advantages of long-term instruments. Again, the market believes that this inverse yield curve will

and a more normal relationship will be established once more. Although FRNs give investors and issuers paper that does not involve taking interest-rate exposure, they are an instrument whose atest rate market but are at best opaque when interest rates turn the reverse of gilt-edged stock. Hence the view taken by one bond fund manager in London, and shared by others. "Once rates have peaked, there won't be a single buyer on the market," he argued. "At the same time there will be a

disappear during the coming year

tors concerned about being locked in. The reputation of the sector will decline as fast as the prices; it will

'Saturated Demand'

A second negative argument is that the level of issues in 1978 has "There's only so much demand for floaters, and it's largely been saturated now. When this is realized, the glamour will fade," a New York hark economics explained bank economist explained.

Undoubtedly, what has upset issuers and investors alike has been the failure during the recent dollar crisis of floaters to live up to their reputation of being an island of stability in any storm. It is this that, in the long run, may act as the real constraint on the sector's growth. As Kidder Peabody noted in London during the week of the dollar crisis last month, "FRNs have been popularized as a super liquid sec-tor. Certainly this is no longer the case. Recent issues have been discarded in the market at fire-sale prices." Indeed, during that week new FRN issues fell by as much as four points, and there were rumors that marketmakers were no longer prepared to trade.

Investors, it appeared, were placing their funds on the deposit mar-ket in preference to holding a bond, even a floater, where there was risk

However, the FRN sector held up at least as well as the straight dollar sector to the onslaught of the dollar crisis, the interest-rate hike and the threat of the United States borrowing up to \$10 billion. A straw poll among investors suggests that the doom merchants are in a minority and that most holders of floaters will hang on even when interest rates turn.

Many issuing banks argue that they have taken the notes onto their books and that they treat them just as they would syndicated credits, with no intention of selling before maturity. "Most of our lending is variable rate money," explained one of those polled. "I see no reawhy we should treat floaters any differently from other loans."
The rise in the number of nonbank

ception of the instrument over a pe-

The summary view of the poll was that while the level of issues hey would almost certainly slow next hals year, both in absolute terms and as tion a proportion of the total borrowing, ba-in the dollar bond market, the sector would remain orderly. The tendency towards longer-term is-sues would continue as well as the trend towards sovereign and corporate borrowing on the market. I.S.
"Borrowers like to have a portfolio, of just like investors. It's a logical way to reduce risk," said a corporate ance director of a merchant bank. "The move to floaters by borrowers other than the banks has only just started. An interest-rate

pths zen ted, eu-wk.

downturn will slow the momentum
— but not stop it." What was stressed was the new maturity of the FRN market tee Floating rate dollar issues have accounted for twice the level of straight issues in the past three months. "You can't present the counter three months." more that it's a quirk that will dry up and go away, was one com- as ment. The market will have a na

as a whole, has occasionally back-fired. For instance, the 15-year Currency Fluctuation Is Causing Early Redemption

By Bill Peters

plains the other notable trend -

the reduction of spreads. Overen-

development of the Eurocurrency market in the early 1970s late 1960s and into this decade had opened to corporate treasurers been steadily overwhelmed by the worldwide a broad range of seem- borrowing demands of national ingly advantageous borrowing and local governments, which con-

No longer were they hemmed in ing for their burgeoning budget by the constraints of their respec-tive capital markets: The Euromar-spending programs swelled, governket held out a degree of choice un- ments could always assure themknown up to that time for the typi-selves of funding by either printing

counted on intervening currency case of Britain, shoved out of the fluctuations. The magnitude of domestic bond market altogether. these fluctuations has been such that many Euromarket borrowers tered in Switzerland and Luxem-Lured by the many potential ad- national venue for all borrowers -

globe flocked to the centers of veloped countries whose domestic cent against 6.90 percent on issues

banking expertise in Europe in search of relatively low interest ONDON (IHT) - The swift rates and ample capital funding.

Domestic capital markets in the tinually required ever larger fund-

The Euromarket, however, cenbourg at the time, offered a supra-

markets were incapable of servicing their needs and multinational agencies, such as those created by the European Economic Community, with no real domestic market of their own. As the Euromarket is not subject to the monetary or fiscal whims of any government, the mechanism of the marketplace is able to function more freely and efficiently than domestic markets. Indeed, the journey into the Euromarket for many borrowers might have been a smooth one but for the pitfall of currency fluctuations.

The introduction of freely floating exchange rates in 1973 has cost many Euromarket borrowers dearly, and the degree of exchange rate fluctuation over the past five years has more often than not offset any interest rate advantage that horrowers originally sought. U.S. companies, for instance, at the end of 1973 faced bond vields on longdenominated in Swiss francs, or an annual differential of 1.40 percentage points. Extended over the past five years that has meant an interest rate advantage of roughly 7.0 percentage points. Unfortunately for those who were tempted to take advantage of this saving on interest costs, the dollar has depreciated by 50 percent against the Swiss franc over the same period.

A similar situation exists with the Deutsche mark, against which the dollar has depreciated 30 percent in the same period.

Probably the worst hit among Swiss franc and Deutsche mark debtors have been the British companies, due to the sharp deterioration of sterling in recent years. The pound, for example, has been about halved in the past five years against the Swiss franc, purchasing about 3.2650 francs now compared with 7.5175 frames on Dec. 28, 1973. That is even below the crossrate reached on Oct. 28, 1976, when the pound struck its historic low of 1.5690 dollars. At that time, a pound bought 3.8111 Swiss francs. It is not surprising then, that British companies have been in the markets. During the past 12 months, Courtailds International Finance NV, a unit of the U.K. textile manufacturer, has redeemed a DM 100 million 15-year Eurobond, carrying a 7.75-percent coupon, originally due in 1986, and a DM 150 million 15-year issue, bearing 6.75 percent, due in 1984. Tube Investments Ltd. said it was repaying early a 6.75 percent 1971-86 issue for SF 60 million that would be refinanced by a multicurrency facility. Dunlop Finance NV, a subsidiary of the British tiremaker, prematurely repaid a 1970-85 bond issue of DM 100 million with an 8.25 percent coupon. Reed International Ltd., a diversified paper and publishing group, repaid a SF 80 million 6-percent loan ahead of its final redemption date of July 7, 1988. Even the London Electricity Council repaid a remaining DM

140 million of bonds issued in 1969

but not due for final redemption

until 1984. (The move was partly

aimed at scaling down the "hump" in Britain's foreign debt repayment foreseen in the early 1980s.)

forefront of the exodus from the Swiss franc and Deutsche mark Burroughs Corp. and Dow Cheminary Character During the past 12 cal have redeemed before maturity continue cortions of two the remaining portions of two Swiss-franc-denominated bond issues. In the case of Burroughs, it redeemed a remaining SF 30 million of an original SF 60 million Eurobond issue floated in 1967 with a 5.5 percent coupon due to mature in 1983. Dow Chemical repaid the outstanding 5 million francs of a SF 50 million 5.5 per cent issue of 1967 due in 1979.

U.S. and British borrowers have not been the only ones seeking early redemption. Earlier this year. Pechiney Ugine Kuhlmann, the French chemical and nonferrous metals group, recalled a SF 100 million bond issue carrying 5.5 percent due in 1987. And about a year ago, two Japanese companies, Mitsubishi Heavy Industries and Nippon Yusen Kafushiki Kaisha (NYK Line), announced they would retire their DM debt early. Mitsubishi repaid DM 80 million of its 9.75 percent issue due in 1980, and NYK Line retired its entire DM 50 million 9-percent issue.



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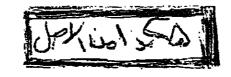
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Euromarkets___

Institutional Investors Weigh the Risks of Dollar Bonds

By Darrell Delatiface.

| Continue | Continue | By Darrell Delatiface.
| Continue | Cont Table dute letter funds, insurance companies, investigation of the letter funds, insurance companies, investigation of the letter funds, trust managers — are the main market for Eurobonds as the main market for funds, insurance for any fixed-interest security. the main market for Europonus as the trial back of the control banks, offshore pension of

funds for multinational companies.

In the last them the base ward-looking countries like the street An mile.

Benefix nations or soft-currency like Italy and Britain iffed An ince by Benefux nations or sort-currently in the maje countries like Italy and Britain make up the more specialized clien-

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Lather 15.

one of the main German issuing houses. Understandably, then, underwriters and dealers are reluctant the amount invested in internation-

the most general terms.

One type of institutional player open to public scrutiny, though, is the international bond fund. The strategy of such funds provides some insight into the currents mov-ing the bond market.

Swiss Francs

"We have international customers and have to keep an interna-tional orientation," commented Claude Stalder, a member of the investment advisory committee for Credit Suisse Bond Funds. "We try to keep the strong-currency portion as high as possible," he said, but added that the dollar is such an important part of the market, there are limits to how far an internation-

al fund can reduce its holdings.

Borrower

Mees&Hope

Norway ABN Bank

NMB bank

New Zealand

to name their customers or discuss al bonds. According to currencies the investment strategies in all but one-third is invested in Swiss francs, 22 percent in Deutsche marks, 31 percent in dollars, and 8.5 percent in Dutch guilders. The remainder is spread around, with only I percent in yen bonds.

Mr. Stalder explained that the fund was not a significant seller of dollar bonds in October, despite the adverse currency and interestrate movements in that sector. But the fund was cautious about putting new money into dollar bonds, so that the dollar portion has dedined as other sectors have been

Hans Fischer, funds manager at Union Bank of Switzerland's Bon-dinvest, with SF 2.2 billion the big-gest of the Swiss bond funds, also said he was not a net seller of dollar I fund can reduce its holdings.

bonds in October. "About a year isn't here yet, but even at the presthe Credit Suisse fund currently ago we were net sellers," Mr. Fischent stand I'd sooner be a buyer of

Especially nowadays, I'd rather have a 4-percent Swiss france bond than an 8-percent dollar bond."

er said. "But at SF 1.50 for the dollar, I didn't want to exchange any funds, so that any sales I made in dollars. I reinvested in dollars."

Currency Risk

Both Swiss money managers believed the dollar would eventually turn around from its sharp decline earlier this fall, and were ready to step up buying of dollar bonds once this happened. That point isn't here yet, but even at the pres-

dollar bonds," remarked Credit Suisse's Mr. Stalder in an interview late last month.

The comments reveal the chief criterion for any international money manager — currency move-ments. The biggest of all international bond funds, Rorento. showed in its September interim re-port that it had reduced its holdings of dollar bonds to 5.2 percent of a total portfolio of 3.1 billion Dutch guilders. Moreover, forward contracts against the guilder and Deutsche mark reduce dollar expo-

The last foreign bond issue was from the European Coal and Steel Community in June. Other foreign

borrowers that tapped the domestic

market this year were the European Investment Bank, Finland and

Denmark. In normal circum-

stances, foreign bond issues are

limited to one a month. The current

frequency limit on Euroguilder

notes is also once a month. In addi-

tion, the amount (with occasional

exceptions for sovereign borrowers)

is limited to 75 million guilders and

The central bank regulation re-

sults in a relatively steady issuing

activity for Euroguilder notes. This

means, however, that the Euro-guilder share has been decreasing

as overall market volume climbs.

Euroguilder notes this year should

at least match 1977's total of 820

million guilders, which represented

2.1 percent of all Euromarket issues

the maturity kept to seven years.

for funds.

guilder with a 53 percent share, the Deutsche mark with 24 percent and the Japanese yen with 11 percent. Bondinvest's Mr. Fischer underscored the fact that currency movements are a factor in yield considerthe domestic market to domestic ations at least as important as the borrowers. Besides the government, many Dutch financial institutions coupon. "Especially nowadays, I'd rather have a 4-percent Swiss franc heavily on the capital market bond than an 8-percent dollar

August J. van Oostveen, a man-aging director of Robeco and mem-

ber of the advisory panel for the

Curacao-based Rorento, explained

that the currency risk in dollar

holdings was too great, despite the higher coupons offered on the dollar bonds. "We look at the total re-

turn as affected by movement in in-

terest rates and currencies," Mr. van Oostveen said. "We look at un-

derlying factors like inflation to an-

ticipate rate movements — that's why dollar holdings are so low."

Mr. van Oostveen fully expects to rebuild the dollar holdings once

the risk is reversed. "The time will

come," he said, "perhaps before

very long. The larger the number of pessimists, the closer we are to bottom," Mr. van Oostveen said of the dollar's fall through October, which, he added "was going much

Rorento's dollar portion has

been as high as 40 percent, Mr. van Oostveen said. The September report, though, disclosed the Dutch

bond. The currency/yield consideration is important for Mr. Fischer too because, he says, the fund is not oriented to a big turnover in the bond holdings. This is different from Rorento, which, according to Mr. van Oostveen, likes to be able to move freely in and out of

Liquidity

engagements.

"We're willing to give up some yield in order to have liquidity,"
Mr. van Oostveen said in explaining Rorento's large engagement in domestic German bonds, despite the 25-percent coupon tax on these issues. This insistence on liquidity partially explains the fund's aversion to the Eurodollar bond mar-

"We try to evade the Eurobond market (in dollars)," Mr. van Oost-veen commented. "We've not had very good experience with regard to the market's ability. It's all right if you just want to sit on a bond, but we like to buy and sell when it suits us. And so we prefer the Yankee bond market, which is much more liquid." The Robeco director added, though, that the market for Deutsch-mark Eurobonds generally was liquid enough.

Other institutional investors with a potential role in the Euromarkets have been effectively excluded by currency considerations. The big German institutions and funds are

ingly domestic-customer base rules out exposure to the dollar risk. Nor have they been able to do much in DM Eurobonds lately, because domestic bond rates have been decid-edly higher most of the year. Domestic interest has largely been confined to private investors, who snap up the high-coupon addresses that many institutions, particularly

An Attractive Alternative To Deutsche Mark Bonds

DUESSELDORF (IHT) — A bittle-heralded alternative to bonds for institutional investors interested in Deutsche-mark holdings are the global promissory notes promoted by the large

These notes, bearing the unwieldy German name Schuldscheindarlehen are offered in large amounts to a single investor, usually in the name of the issuing bank. They can thus be tailored to the investor's wishes regarding volume and maturity. Westdeutsche Landesbank, a leading proponent of this instrument for foreign

investors, refers to the promissory notes as SD-certificates.

Peter Ganschinietz, WestLB senior vice president, lists the attractions: prime borrowers at slightly higher yields than in the Euro-bond market, no coupon tax (as with Eurobonds), no price risk and relatively short maturities (ranging from 1 to 15 years, with greatest demand in the four-to-eight-year bracket).

Governmental borrowers are the main users of SD-certificates in domestic financing, but they are prohibited from raising funds abroad. And so it is primarily public law banks, notably the Landacher that it is primarily public law banks, notably the Landacher that it is primarily public. desbanks, that issue these notes for foreign investors, although other big banks, like Deutsche, have also been active in the field.

Foreign Placement

While an average 10 billion DM to 15 billion DM domestic financing is handled annually through Schuldscheindarlehen, there are no-reliable statistics or even estimates on foreign placement of SD-certificates. The Bundesbank categorizes them along with other loans and credits taken up by German banks abroad and does not have any statistical breakdown. The German central bank, in fact, is not so keen on capital imports by public sector entities. Authoritative sources at the Bundesbank, though, deem the practice "tolerable" in view of Germany's status as a net capital exporter. Foreign placement is certainly a fraction of domestic volume, but substantial enough that even those banks not involved concede that SD certificates are a factor in the market.

For the banks themselves, the notes provide an attractive refinancing alternative while enhancing their relationship with the select institutions in a position to put large amounts of funds into such a vehicle. Because the SD-certificates are not securities, most investment funds are ruled out. But pension funds, shipping companies, central banks and supranational agencies have all taken DM certificates.

The German banks maintain a secondary market in the certificates. The certificate usually remains in possession of the original purchaser and is transferred by written assignment when sold be-

Guilder Notes Suffer From Currency Speculation

EUROGUILDER NOTE ISSUES:

JAN.-OCT. 1978

A MSTERDAM (IHT) — The issue of Euroguilder notes continued apace through August this in and the timed apace in one of the control of the Netherlands domestic copy of rounted ket was dampened by interest-rate lettering and currency developments in case of kine. Now the Euroguider market has slowed down, too.

eemal SF of g Johannes A. de Gier, assistant feelif coupe general manager at the Amster-Observation of the control of the co Ottoriding 5.2 to 10 milion 2 domestic and Enromarket, once internal liquidity and foreign ex-change trading allow a stabilization of capital market rates.

These rates suffered last summer from an atypical squeeze in domestic liquidity combined with internaan conservational speculation against the You was Dutch guilder. Above all, the strains from defending the guilder traduction and within the European currency h dadais is snake resulted in Dutch capital market rates shooting from 7.3 percent in April to 7.8 percent in August, according to averages computed by Nederlandsche Middenstandsbank NV.

FINANCING SERVICES

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Private placements

showed a slight downward turn in September, the discount rate kept requiring new hikes to cope with the currency situation. The central bank rate, cut a half-point to 4 percent in April, was boosted to 4.5 percent in July, then to 5.5 percent in September and finally to 6.5 per-

Oesterreichische Kontrollbank

Mexican Electricity Commission (CFE)

against the Deutsche mark within the snake. With currency unrest and the ne-gotiations for the European Mone-Although the long-term rates tary System a further devaluation

guilder's devaluation of 2 percent

against the mark is widely expect- Dutch guilder." government last month carried a rate is two-tier. The medium-term coupon of 8.5 percent againt 7.5 Euroguilder notes are semi-private percent on 10 years in September.

"The devaluation shows that it was wrong to consider the guilder an expensive Deutsche mark," cent last month, just before the commented Mr. de Gier regarding interest rates between the two cur- bank.

of 3 percent of the Dutch currency you have is a reasonably priced

Maturity

Manager

Меся&Норе

placements for foreign investors, while the domestic bond issues for foreign borrowers are longer term and placed primarily with domestic investors. Both vehicles are strictly the 1.5-2-point span in long-term regulated by the Dutch central

another guilder devaluation, what central bank has to give preference

ed. A 15-year bond tendered by the The international guilder bond

INVESTING SERVICES

6.25 6.5 6.5 7.5 6.75 7.75

rencies.

When liquidity is tight, as it was with 3 percent in 1976, 8.1 percent this summer, Mr. de Gier notes the in 1975 and 20.8 percent in 1974.

last year, according to Amro Bank. The 1977 proportion compares

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Euromarkets

EEC Planning Loan Facility to Boost Industrial Investment

EUROBOND ISSUES FROM SUPRANATIONAL EUROPEAN BORROWERS

BRUSSELS (IH1) — The Council of Finance Ministers of the European Economic Community last month finally resolved its dif ferences with the European Parliament regarding a new borrowing facility for the community.

The compromise opened the way for the Commission, working with the European Investment Bank (EIB), to seek out projects within the nine member states that will stimulate industrial investment. These would be supported by EEC loans financed through borrowing by the Commission.

The new borrowing authority, known formally as the New Community Instrument (NIC) and popularly as the Ortoli facility after its sponsoring commissioner, Fran-cois-Xavier Ortoli, was born from considerations last year about how the Commission could foster lagging industrial investment. It represents a fourth horrowing instrument for the community — joining the existing facilities for the European Coal and Steel Community (ECSC), European Atomic Energy Commission loan for balance of payments difficulties.

The wheels grind slowly in Brusselsmand it is not likely that the Commission will go to the capital markets with the new authority before year's end. Appropriate projects must be identified first. Then the council must grant permission for the first tranche of borrowing. The council itself will be preoccupied with the proposed European Monetary System in its remaining meetings this year.

'Experimental'

Nor does the new facility - in its present form - make it likely that the EEC will become a major new borrower in the international markets. The facility is specifically labeled "experimental" (this was a concession to the parliament) and has a ceiling of one billion Europe-an units of account (about \$1.4 billion at end-October rates). The new instrument will be reviewed when 800 million European units of account (EUA) have been borrowed. or in two years at the latest.

The Ortoli facility demonstrates the open-mindedness and flexibility of the Commission in seeking out new financing for its ideas. Still, it marks no essential change from community borrowing policy. All revenues from customs duties and EEC borrowing is for the purpose agricultural levies. The 1979 pre-however, will not countenance defi-

		120			
		•		JANO	CT
Date	Amount (in millions)	Coupon	Maturity	Manager	I
EUROPE	AN INVESTMENT B	ANK (EIB)			ļ
Jan.	\$ 100 \$ 100 LFr 25	8.5 8.75 9.75	1988 1993 1988	UBS (Securities) UBS (Securities) S.G. Warburg	Ja F
March	LFr 500 DM 250 \$ 100 \$ 100	7.75 5.25 9.25 8.675	1988 1990 1998 1985	Banque Internat, a Luxembourg Deutsche Bank Merrill Lynch Merrill Lynch	Ji Ji
May	DFI 125 \$ 60	7.25 8.375	1993 1986	Amro Bank I.B. di S. Paolo Torino	0
June	\$ 100	9.125	1993	Societe Generale	١ _
Aug.	SFr 100 \$ 100 DFl 75	4.25 9 7.25	1993 1990 1985	Credit Suisse Nikko Sec./Credit Suisse Amro Bank	J: F
July	DM 75 LFr 250	6 7.75	1988 1988	Commerzbank Banque Internat. a Luxembourg	l N
Sept.	\$ 100 \$ 125 DM 300 FFr 200	8.875 9.125 6 9.75	1986 1998 1990 1988	Lehman Bros. Kuhn Loeb Lehman Bros. Kuhn Loeb Deutsche Bank CCF	ć
Oct	DM 100	6	1988	Commerzbank	۱ ،

Date	Amount (in millions)	Сопроп	Maturity	Manag
EUROPE	AN COAL AND STE	EL COMMUNITY		
Jan.	\$ 30	8,375	1985	Kuwait Investment C
Feb.	\$ 20	8.5	1990	Societe Generale de Banqu
March	DM 150	5.25	1990	Drescher Bar
	\$ 25	· 9	1993 1998	Parib
	\$ 25	9.25	1998	Parib
June	\$ 50	8.75	1987	Banca Commerciale Ita
	DFI 100	7.25	1993 1990	Amro Bar
July	DM 70.	6	1990	Deutsche Bar
	BFr 200	8.5:	1986	Societe Generale de Banqu
Oct	DM 150	6	1988	Deutsche Bar
•	LFr 600	7.75	1988	Banque Genera
EUROFI	MA	<i>:</i>		
LUMUI A				Smith Barn
Jan.	\$ 40	8.5	1988	Deutsche Ba
Feb.	DM 100	5.5	1988 1990	Nikko Securit
May	Yen 10,000	6.3	1990	Kredietbank Li
_	LFr 500	7.5	1988 1985	Nat. Commercial Bank Sar
June	\$ 20	8.5	1983	Nat. Commercial Bank San Deutsche Ba
Oct.	DM 80	5.5	1988	Denistie Da
	· · · ·			
COUNC	IL OF EUROPE RESE	TTLEMENT FUND) .	· . · ·
April	SFr 65	4.5	1993	Banca del Gottare
May	DM 100	6.125	1988	BHF-Bar
July	DM 20	6.25	1986	BHF-Bai
Oct	DM 130	6.25	1988	BHF-Ba

of on-lending to fulfill policy objec-tives. EEC borrowings are repaid as the subsequent loans are paid back, and the Common Market agencies generally do not even run a foreign exchange risk, but borrow in the

SFr 80

EURATOM

currencies they lend. The EEC has never borrowed to finance its own budget. Conversations with officials of the Commission clearly indicate that it would not do so in the near future. "The political resistance to deficit spendcomments one Cabinet offi-"is, to say the least, very

The Nine are just completing the long process of achieving self-financing — by replacing financial transfers from member countries with the community's own assessment of the value-added tax. The VAT assessment will be used to cover the spending deficit left by revenues from customs duties and

liminary draft budget (appropria-tions for payment) calls for spend-ing of 13.9 billion EUA, up 12.1 percent from this year.

A Boost

About half of this proposed budget (6.8 billion EUA) will be financed through VAT assessment. resents 0.75 percent of projected VAT revenues. The maximum VAT assessment for the EEC has been set at one percent, and the Commission calculates this ceiling will be reached by 1981, at the latest.

But the officials of the Commission caution, there still will be no question of borrowing to finance the budget. Some new source of revenue will be found; the most obvious would be a boost in the VAT

The political hodies in the EEC.

cit spending for the community in its present form. They are afraid, commission sources say, that to do so would create a "monster" likely to run amok, or an "inflation machine." Besides, Commission officials note, the EEC budget is so small, 0.81 percent of members' combined gross national product year, that deficit spending could have no possible positive effect to compensate for the inherent

Credit Suisse

dangers.
Brussels officials do not exclude the possibility that certain Commission activities, like the Social and Regional Funds, might one day be financed through borrowings, again for on-lending purposes. The Ortoli facility demonstrates the willingness to experiment within the limited operational room given by the member states.

The new instrument is to support

projects that improve productivity, enhance the competitiveness of Eu-

ropean products in world markets ments' assistance program. The or strengthen the infrastructure. Commission raised 1.8 billion EUA Thus its aims overlap in part those of existing agencies like the ECSC and the EIB.

Wider Range

Marcell von Donat, a member of the Ortoli Cabinet, notes that the new facility has a much wider "It is designed for any project fulfilling the goals set and is not restricted to regional develop-ment or a particular industry," he comments. "Besides, the emphasis of the new instrument can be al-

red through political decision."
The Commission will act as mediator in the Ortoli facility. The funds will be borrowed in its name, although the actual project loans will be administered by EIB. The new borrowings by the Commission will be the first since the 1976 If it is finally set up and functional, and 1977 issues to fund the pay-

altogether, of which 1.5 billion was on-lent to Italy and 300 million to Ireland.

This facility, which is designated

nomic integration that would result

in a greater intervention role for the Commission. The parliament.

on the other hand, could try to flex

its new political muscles by seeking a greater voice in determining bud-

Budget

Already, parliamentary efforts to "budgetize" borrowing and lending has resulted in a new "Part II" for the budget presentation, itemizing these activities. (Previously, the

borrowing and lending were en-

tered as self-canceling items that

were explained only in an annex.)

If these significant developments

make it impossible to project EEC

borrowing beyond two or three years, it is also very difficult to

predict the community's standing

as a borrower. It seems natural that

the EEC should enjoy the status of

a sovereign borrower, and no one

getary policies.

for only those payments difficulties resulting from oil imports, has a ceiling of 3 billion EUA. But there do not seem to be any takers on the horizon (while Italy, for one, has declared its intention of repaying its loans ahead of time).

"EEC borrowing is an ad hoc system." Mr. von Donat remarked. Facilities can be changed or done away with."

Two imponderables in the development of EEC borrowing policy are the development of the European Monetary System and the consequences of next year's direct elections to the European Parliament.

goodwill of most of the men states. Also, the tight political reon EEC financing activities in doubtedly contributes to its start.

Still even at the time of the first Commission issue in 1976, in the midst of the cuphoria engendered by the poverty of the proceeding and the excitement among the banks jockeying for managemen positions, cautious voices asked just who was going to take final responsibility for paying back this

And so, in addition to the guarantee provided by the EECs bud. getary resources, the big member states also guaranteed nearly a quarter of the amount apiece (and even agreed to double their commitment if one of The Big Four fell

This often unspoken caution is a factor in placing bonds of suprans tional borrowers in general. While no one would deny the EEC or in agencies a triple-A rating certain Swiss funds are known to have an aversion to supranational address es, and all investors like to keep an eye on how big these holdings are getting in their portfolios. There is triple-A and then there is triple-A.

Borrowers

The biggest supranational borrowers in Europe (the World Bank is the biggest overall borrower in this category) are EIB and ECSC. which have been active in capital markets for 20 and 25 years respec-tively. EIB is by far the bigger of the two and is likely to increase its borrowing activity. Both are reguborrowers in practically all major capital markets of the world. Especially in Europe, they are in the forefront of innovations - like the attempted revivals of the pound sterling and French franc Euro-

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bond markets.

The ECSC was established in April, 1951 through the Treaty of Paris and was fused administrative. ly in 1967 with the two later European communities, EEC and Euratom, established by the 1957 Treaty of Rome. ECSC still maintains its own budget and manages its own borrowing. Funds raised are used to finance industrial projects in the coal and steel industries, to support new industry in areas traditionally dependent on these industries, to sponsor research and to finance low-cost housing for workers in (Continued on next page)

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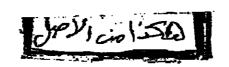
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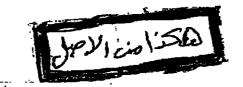


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^{ent}Composing the Ideal Investment Portfolio — A 40:40:20 Mix

By Bhushan Bahree

Swiss banks may be as little as 200 Swiss trains may be as fittle as 200 billion Swiss francs, according to some estimates, and as much as SF 500 billion, according to others.

The truth is that nobody is quite

Whatever the real size of the empire, the power and influence of Swiss portfolio managers is sub-First in stantial. This in itself, rather than any genius in predicting the swings of the marketplace, tends to both attract and inspire confidence in investors who make their way to make their way to Zurich, Geneva or Basel to asceranomal The tain just how their money can best the tain just how their money can best the tain just how their money can best

The Big Three Swiss banks — Union Bank of Switzerland, Swiss Bank Corp. and Credit Suisse to account for the lion's share of the portfolio business, although some the line of the famed private banks also

these industries. Besides borrowed

EUA, against 956 million EUA in

Euratom, on the other hand, was

March, 1977. These funds are to be

first authorized to borrow funds in

loans are administered by EIB and

make up only 20 percent of project

costs (although they may be grant-ed conjointly with EIB loans).

the consolidated EEC budget, had

a previous borrowing arrangement

in the form of a \$135 million line of

credit from the U.S. Export-Import Bank. The new borrowing authori-

ty is limited to 500 million EUA,

with this ceiling up for review once 300 million EUA have been raised.

Last year, Euratom made a public issue in the amount of DM 200 mil-

lion and private placements for DM 18 million and \$18 million. So

far this year, there has been an issue for 80 million Swiss francs.

funds, the ECSC has its own re-

times, the cooper has the control at the sources from a levy, currently at

O.29 percent, on coal and steel pro-

Through 1977, the ECSC raised a total of 4.734 billion EUA through

185 issues in 11 currencies. Current

borrowing is averaging \$700-800 million a year. Total raised in 1977 through 32 public bonds and private placements was 729 million and private placements was 729 million EIIA in

on-lent to projects in nuclear power stations and fuel recycling. The

11! and 16 duction in the EEC.

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the water

The views of investment managers at the big banks, while not identical, are close. The opportunities, they say, are in the United States, West Germany and Japan. To a lesser extent, investments may be made in the Netherlands, and to a very little extent --- because of official restrictions — in Switzerland. A theoretically ideal portfolio should have a mix not only of

shares, bonds and liquid assets, but

also of currencies.
At Credit Suisse, Fritz Rudolf, manager of the investment department, says that a portfolio should be split up into 40-percent shares, 40-percent fixed-term instruments (bonds and notes) and 20-percent short-term paper, gold and savings accounts. The last part could be raised to 25 percent if the gold component is to be more than 10 percent, in his opinion.

Half of the shares in the portfolio should be American, he says. The other half could be split up among German, Japanese and

Two other European suprana-

iation to the EEC but are regular

borrowers in the Euromarkets, are

Eurofima and the Council of Eu-

ganized in 1956 as a joint stock cor-

poration under Swiss law according

to a convention signed the previous

year by 16 European countries, in-

cluding all current EEC members

except Britain and Ireland. The

purpose of the company is to pur-chase railway rolling stock and sup-

ply this equipment under lease to

railways, which hold shares repre-

senting subscribed capital of 500 million Swiss francs. The balance

sheet at end-1977 showed 2.58 bil-

lion Swiss francs in outstanding

bond debt and SF 1.5 billion in

long and medium-term loans.

member countries national

Eurofima, based in Basel, was or-

rope Resettlement Fund.

EEC's New Loan Facility

To Foster Investments

A theoretically ideal portfolio should have a mix not only of shares, bonds and liquid assets, but also of currencies.

Dutch issues. For European investors, the U.S. share part should be is not very fond of chemicals. The says. He says the big German "We're neutral there," he says. He Besides, he likes the big German Foreigners with Swiss shares in not been able buy Swiss shares to add to their portfolios, according to central bank rules. But since Canalada and the companies will rare in the increased competitive climate being generated by the U.S. administration.

Retail store companies 121.

that the major Swiss companies — multinationals like Nestle. Alusuisse, Brown, Boveri — are not going to be hurt much by the rise of the franc. Pharmaceutical giants Ciba-Geigy and Roche and smaller companies that are going to suffer have already seen their share prices drop sharply. "So, there isn't really any point in selling out

now," he says.

At Basel-based Swiss Bank

Corp., a vice president of the bank's investment advisory service said that portfolios now had 50 percent or more in bonds, a portion that he thought could slowly be reduced, probably beginning next year. He explained that five years ago, the share of bonds was only 20 percent, but then higher interest rates led to the gradual transfer of funds into long-term instruments.
Unlike Mr. Rudolf, the Swiss

Bank Corp. official thought the U.S. stock market would likely go down next year under the weight of a slowdown in the economy and that until then, dollar assets may as well be held liquid to take advantage of price weaknesses then. He said that until midsummer, 1977, when the dollar bad been relatively stable for some time, U.S. shares were being bought. When the dollar started its long plunge, investors stopped. When the decline contin-ued, some, though not a majority, liquidated their holdings. Most, however, simply kept the assets in short-term deposits. "These are still

The Council of Europe (not to be confused with the European Coun-Mr. Rudolf agrees that some liq-uidation of U.S. holdings has taken cil) Resettlement Fund for National Refugees and Overpopulation in Europe was established in 1955 to U.S. stock market is headed downprojects. The fund, currently subscribed to by 16 European counstance, he tries, is based in Strasbourg with administrative offices in Paris. It is a relatively small borrower and they will continue to have new and showed only \$338 million in bond interesting products. He names debt on March 31 of this year. In the last three years borrowing her panies also are suit a good bet because a relatively small borrower and they will continue to have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be a supplied to the have new and they will be the last three years, borrowing has been exclusively in Deutsche marks buy list would include tobacco, and Swiss francs.

D.D. food and beverage and pharmaceurely marks of aiding regional development, EIB has

thinks airlines are a bit dicey betheir portfolios should hold onto cause it is difficult to see how the them. he advises. Since spring companies will fare in the increased 1978, nonresident foreigners have competitive climate being generat-

they have been allowed to switch surances like Atena Life and Con-from one to another through an in-necticut General, round off Mr. vestment account. Mr. Rudolf says Rudolf's list of attractive U.S. stocks. He is not bullish on auto company shares.

For Germany, Mr. Rudolf says he is favorably impressed by Thyssen, despite the steel crisis. He at-

banks, pharmaceuticals like Schering and retail store shares. He is uncertain about the big German chemical companies, but he says that any investor going into mark shares inevitably will come up to buying these so one may as well add them to the buy list. Some machinery issues, like Mannesmann, also are attractive because of their thriving export business.

In bonds, the Swiss Bank Corp. investment manager feels that "sizable" positions should be held

dollar paper. He still prefers Swiss-franc paper, although coupons are down to 4 percent in many cases. However, nonresident foreigners cannot buy on the secondary market, except to switch, and can only subscribe to 50 percent of a new issue of a foreign borrower, whether publicly offered bonds or privately placed medium-term notes. Domestic issues are out of bounds for foreigners.

Credit Suisse's Mr. Rudolf says that the dollar paper could be a good investment, if the investor is courageous and does not worry too much about short-term currency fluctuations. He notes that 10-year

for its issues. This charge leaves Mr. George relatively unruffled; he

cites the interest-rate gap. The Swiss-franc paper will give between 3.5 and 4 percent. Deutsche mark paper between 5.5 and 6 percent and dollar paper between 8.5 and 9.5 percent. The currency situation (the dollar's fall) is overdone, he thinks, and there could well be a rebound. Even otherwise, he says, the dollar would have to drop to well below one franc for an investor in dollar bonds to start showing a loss, relative to money invested in the Swiss franc. One has to ask whether such a fall is likely "but if one hesitates, then this is not the thing to do," he warns.

While the Swiss-franc bonds yield little, and the dollar paper is beset with uncertainty about the value of the U.S. fund, the

may not always correspond to the bank's own judgment. "We might think it's opportune now, for

instance, to borrow in Deutsche

marks or Swiss francs, but our cus-tomers may be afraid of the hard

currencies and prefer dollars. It's

their (foreign exchange) risk and so their choice; we don't want to im-pose our opinion."

Still, bank officials do promote a "standard cocktail" of currencies in

their loans, to diversify exposure

and smooth out interest rates for

the borrower. The current cocktail

is made up of 35 percent each for the U.S. dollar and the mark and

15 percent each for the Dutch

guilder and Belgian franc.

bonds could be very interesting and compromise situation. Both investment experts think the market functions well and is large enough to suit most investors. Both also say they favor yen-denominated paper, but are cautious because the market is very narrow, especially in Samurai bonds. Mr. Rudolf says that "we do have some mutualfund investment in yen," but he adds that he hopes the market will expand so that when there is a need, an investor can pull out. way, both experts suggest. They point out that this market could only be seen right now as attractive

for long-term investment. Both investment advisers also thought that some gold, as part of the liquid asset portion, should be included in a balanced portfolio. If inflation continues to plague the industrial world, then the price may go up further. For those who think the price of gold is high now. Mr. Rudolf pointed out that this was mainly the dollar-per-ounce price, which reflects the weakness of the dollar. The price per kilo in Swiss francs has not shown that kind of

One thing that both experts sug-gest not to do is invest in sterling. They think that over the long term. it is uncertain that North Sea oil will pull Britain along, and they have seen no other signs that would make them bullish about the counry's economic future.

As for France, Mr. Rudolf says that investors seem not to favor it as a country for investment. Somehow, traditionally France is a country one does not seriously think of investing in unless there are special reasons. "France was interesting on a speculative basis right after the clections, but only for specialists,

—D.D. says Mr. Rudolf.

EIB: Stepped-Up Lending, Borrowing

LUXEMBOURG (IHT) — The European Investment Bank Council to foster EEC energy projects and industrial restructuring. In international capital markets.

The European Economic tering funds raised by the EEC and Community's lending institution the European Atomic Energy Comconducted its largest single borrowing operation to date, a two-tranche Yankee bond issue raising \$225 million, tapped the Deutsche mark Eurobond market for 300 million DM (EIB's largest offering there) and went on to reopen the French franc Eurobond market with a 200 million franc offering.

The previous month, EIB raised \$100 million through an unusual split offering — \$80 million of the 12-year bonds placed by a Japanese consortium with domestic investors and the remaining \$20 million placed with international investors. EIB raised nearly \$1.5 billion in

the first three quarters of this year, and Andre George, manager of the traditional year-end spurt could boost the borrowing to \$2 billion for the year. This would be about twice as much as the 942.5 million European units of account (EUA) raised in capital markets last year.

The increased borrowing keeps pace with EIB's stepped-up lending activity and cements the bank's position as Europe's leading supranational borrower. Through June 30, the 20-year-old institution had borrowed 7.044 billion EUA in 13 cur-

The pace of this year's borrowing and the expanded activity of the bank indicate its presence will be addition, the bank will be adminis-Criticism

The bank's board of governors, made up of the EEC finance ministers, agreed last June to double the subscribed capital to about \$8.8 bil-lion. Because lending is limited to 2.5 times subscribed capital, the new lending limit - and so the approximate amount eventually to be borrowed — is \$22 billion.

EIB comes in for some criticism for its insistence on very tight terms

considers it his job to get the best terms possible. "One of our priorities now," he comments, "is to increase the volume of individual offerings." He cites the Yankee bond issue as evidence that this is EIB is not allowed to run any

foreign exchange risk, so that its borrowing is determined by the currencies sought by its "customers." The bank makes loans to projects that further its stated goals. "We never borrow in a currency

just to keep the market open," Mr. George explains. "For us it's a question of currencies, not an availability of funds."

Mr. George concedes that cus-

All of these Securities have been sold. This announcement appears as a matter of record only.

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Euromarkets.

The Asia Dollar Bond Market Has Practically Disappeared.

SINGAPORE (IHT) — Sally doesn't come here any more. At least, that is what the bond traders say, although elsewhere in town people say Sully's as frequent a visi-

Sally is the investment banking house of Salomon Bros., which works the Asian dollar markets from its office in Hong Kong. Not being permanently on the ground in Singapore, its presence or absence in the various market sectors serves Singapore-based bankers as a rough marker of where the action

"We don't see Sally floating through so often." muses one bond management specialist, and in the next breath. "if you want to talk about Asian dollar bonds, the mar-ket practically disappeared this

But for certificates of deposit. (CDs) launched by Singapore's monetary authorities about a year ago, the story is different. "All things considered," says the man from Merrill Lynch, "certifi-

cates of deposit have got off to a better start than we could reasonably have hoped for.

There's a handful of secondary

market traders who regularly make two-way prices — ourselves. Credit Suisse First Boston, DBS [Development Bank of Singaporel and Sally. of course, in Hong Kong."

The auotes sum up the story. The past year has seen mixed fortunes in the Asian offshore markets, but by and large offshore bankers remain philosophical. With the dollar uncertain at the best of times and feeble at others, and U.S. interest rates squeezing upwards into dou-ble digits, mixed fortunes have been better than none.

Philosophy has been aided by good profitable business elsewhere. notably in the foreign exchange market and in the booming equity markets of Hong Kong and Singa

More than 80-percent rises in the leading indices for the Hong Kong and Singapore stock markets dur-ing the first nine months of the year played their part in diverting investor interest from Asian dollar secu-rities. But the investment and merchant bankers have benefited from a wave of issue management and underwriting business thrown up by the boom, as well as the opportunity of taking profits on their own equity portfolios.

Twin Forces

On the foreign exchange side, the twin forces of dollar weakness and At the same time, an increasing ven strength have triggered an enormous expansion in the volume of Asian markets in the past year.

Monthly figures compiled by the early dealing before the European

The past year has seen mixed fortunes in the Asian offshore markets, but by and large offshore bankers remain philosophical. With the dollar uncertain at the best of times and feeble at others, and U.S. interest rates squeezing upwards into double digits, mixed fortunes have been better than none.

Monetary Authority of Singapore (MAS) indicate a near-40-percent growth of Singapore market turn-over in the past year, to an average \$1.5 billion to \$2 billion daily. Allowing for some double counting in the MAS figures, local Forex traders put actual daily average turnover somewhere between \$1 billion and \$1.5 billion, of which about a third on average is dollar/yen business and another third is dollar/Deutsche mark.

Turnover in Hong Kong is estimated to be even higher, up to \$2.5 bil-lion. Growth of the market has been helped by time-zone considerations, with Japanese banks increasingly using Singapore after the Tokyo market closes as a place to unwind positions taken in Tokyo. number of European banks are becoming aware of the possibilities offered by the Eastern markets for

truding day gets under way. The re-sult has been the development of much greater depth in the markets for the major currencies.

"Volume in the Asian exchange markets has grown fantastically, comments one German foreign exchange dealer on the mushrooming dollar/mark business. "A few years back five or ten million dollars was enough to swing the rate. Now, \$50 million hardly moves it at all."

Pace of Life

In comparison, the pace of life in the deposit markets has been staid. The deposit base of Asian Currency Units (ACUs) in Singapore continued to widen in the past year. but hesitantly, and more slowly on average than in the previous two

Total ACU assets and liabilities stood at \$23.1 billion at the end of August, an increase of less than 10

percent from the \$21.02 billion re-ported at end-1977. Extrapolated for the whole year, that would imply a 15-percent growth rate against 21 percent in 1977 and nearly 40 percent in 1976. Some bankers, however, noting the major part of this year's growth so far has

aken place in the first quarter, say they doubt whether the 15-percent rate will be achieved. Add in a deflator for the dollar's depreciation. and growth of the market at constant values looks notably sluggish n comparison with that of the last five years.

As always, the size of the Hong Kong-based market remains

unknown, with no statistics pub-lished by the financial authorities.

Exchange Controls

Past estimates by the Bank for International Settlements (BIS) put Singapore's deposit base at a third larger than the crown colony's,

which would make their combined volume presently about \$50 billion against some \$35 billion a year ago. Two developments this year may have shifted the ratio further in

On one hand, bankers say, Hong Kong Financial Secretary Philip Haddon-Cave's decision to slap a 17-percent tax on offshore loan business may be driving loan book-ings to other centers. On the other, Singapore's June 1 abolition of foreign exchange controls, accompa-nied by relaxations in license conditions for offshore banks and ACUs, should provide some addi-tional stimulus to the Singapore-based market following concessions in the 1976 and 1977 budgets that cut the tax take on offshore bank business to an across-the-board 10

Singapore's exchange controls were vestigial, and their abolition amounted to little more than an ad-

percent from 40 percent.

ninistrative convenience. The relaxation of ACU and offshore bank licenses was in part simply an extension of the exchange control abolition. But in many bankers' eyes it was also a counter to a Hong Kong move to widen the base of foreign bank operations by allowing the upgrading of foreign-bank-owned finance companies to full bank branch status. Both the Hong Kong and the Singapore measures aimed to widen the scope of onshore banking business available to foreign banks operating on restricted licenses. At the same time bankers said the Singapore relaxation, which deleted some highly complex technical limitations on ACU activities, should provide a long-term boost for both foreign-exchange and dollar-deposit business.

Meanwhile, Hong Kong's 17-percent tax rate may be driving offshore loan business to other centers such as Bahrain and Manila.

bankers say. Bahrain's offshore market, servicing the multimillion dollar construction and development projects taking shape throughout the Middle East, has continued its rapid expansion during the last year. In terms of size the Bahrain market is now reckoned near Singapore's in the \$20 billion range. Although its telecommunications links are main-ly Westward-looking into Europe, the opening of direct dialing facilities to Singapore next year will tie it much more closely into the Asian market system, bankers say.

Fledgling Market

The fledgling Manila market has developed strongly since it started operations in July last year. It now has 19 licensed offshore banking units (OBUs), three more than at the beginning of this year, the latest entrants being Bank Saderat Iran, Chemical Bank and Bankers Trust. OBU resources jumped to \$1.19 billion at mid-year from \$16 mil-lion when the market was launched a year earlier, Philippine central bank figures show. Commercial bankers estimate total resources of the system now, including OBUs and the foreign currency deposit units (FCDUs) of onshore bank branches, has risen further to be-tween \$2.5 billion and \$3 billion.

The Manila market's main function - probably accounting for 80 to 85 percent of its business — is to channel foreign currency loans to Philippine onshore users. Manila bankers say a constraint on further expansion in that direction is a \$950 million International Mone-tary Fund (IMF) ceiling on 1-to-15-year Philippine foreign borrowings

Finance Minister Cesar Virata disputes this, arguing that the ceiling has not cramped the supply of funds to desirable borrowers and that it exerts a useful extra disci-pline on the banks' credit opera-

have recently experienced a slowing down in central bank approval procown in central bank approval pro-cesses for foreign currency borrow-ings accompanied by greater gov-ernment selectivity in authorizing projects needing offshore funds, re-flecting government concern to hold Philippine foreign debt to the IMF guideline, Strengthening the government's urge to show respon-sibility is the possibility that it will be seeking another IMF standby credit facility when its existing one expires at the end of the year, they

The next growth spurt may therefore have to come from pure offshore activities, some Manilabased bankers say. Hong Kong's tax, at more than triple the Philippines' 5-percent charge on offshore transactions, could be the catalyst for an inflow of regional loan busi-ness to the OBUs, they say.

Booking Center

If that happens, Manila probably would develop initially as a book-ing center, with syndication management and refinancing still the domains of Hong Kong and Singa-

The October signing in Singa-pore of a \$20 million 10-year float-ing rate loan for Philippine part-ners in the Nido oilfield project il-lustrated the pattern. While OBUS figured among the fund providers on the tombstone, the loan syndication was managed in Hong Kong by Citicorp International and largely refinanced through Singa-

Incidentally, a central bank breakdown at midyear showed Sin-gapore was by far the largest source of externally generated OBU interbank deposits, accounting for 25 percent of the total against Hong Kong's 3 percent. Although the Philippines itself provided a larger share — 45 percent — three-quarters of the total against Hong Kong's 1 percent — three-quarters of the total 24 percent ters of that, or 34 percent of the total, came from the central bank.

While the large onshore banks with regular commercial paper requirements probably have no difficulty in getting priority printing service, offshore banks with more occasional needs complain of delays and poor quality work.

Exaggerating

problem over legal services. In the early 1970s there were four international law firms practicing in Singapore. Over the years the number has been winnowed down to just one, an office of the U.S.-based Coudert Bros.

In addition, some local partnerships are well versed, for example, in British commercial law. By and large, however, the depth of international legal expertise available bears no comparison with Hong Kong, where at least six leading U.S. firms have set up shop, bank-

Responsibility for approving the opening of new law offices lies with the attorney general's department.

MAS officers say the word has been passed along that another two or three international firms would aid the market's development, but bankers say so far they have no indications of any imminent arrivals.

Once again, Singapore appears to be in the middle of a vicious cycle. The syndication managers prefer to work from Hong Kong because that is where the best services are, and the providers of the services prefer to work in Hong Kong because that is where the husiness is.

But the banks maintain they

been done has not been directed to

Hong Kong continues in general to have the edge over Singapore as the preferred syndication management center, partly for geographical reasons and partly because it has the edge over Singapore in ancillary services, bankers say.
Two areas in which Singapore is

relatively deficient are printing and international legal services.

MAS officials say they are aware of the problem, although they feel some bankers may be exaggerating their difficulties. What is undeniable is that there is no overnight service - no printer who will guarantee, at a price, to take in urgent late work and push it through for delivery next morning, the officials

MAS also says it is aware of a

Hong Kong also benefits from its geographical position, some bank-



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ers argue. It is better placed to service the highly active Northeast by Asian economies — notably, on the syndicated loan side, South Korea. On The Hyunda industrial group, for instance, recently took a \$44 miles. lion eight-year syndicated credit for heavy machinery purchases, and several more Korean deals could emerge before the end of the year.

Hong Kong, too, may look increasingly attractive in the future if the apparently huge financing needs of the Chinese economy start

o come real in the commercial capital markets. Singapore, of course, has a po-tentially vast territory for business in Southeast Asia. Loan demand there, however, has been relatively quiet in the past year, and much of the larger-scale business that has

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the Asian markets.
Indonesia, convalescing after Pertamina's foreign debt crisis, has taken small amounts of money, but a Government of Indonesia 100 million mark issue in September was sold through the Euromarket and, significantly, was listed only on the Frankfurt exchange, not in

Malaysia refinanced \$500 million of existing debt in the first half of the year, at spreads considerably finer than those on the loans it retired. That was mainly a Euro-market exercise, and in any case the refinancing of existing loans at spreads cut to less than one percent is not the stuff bankers build their rosiest dreams on. More positively for the market, Esso borrowed \$200 million from a Morgan Guarantyled syndicate in October for development of the oilfields offshore eastern Peninsular Malaysia. Again it was not essentially an Asian syndication, as evidenced by the floating rate interest definition, set in terms of the London interbank offered rate (Libor) rather than the Singapore interbank offered rate

Looking to the future however, the more optimistic bankers say they see signs of more active syndication business ahead, built on the re-emergence at last of major offshore energy development projects in the region. Thus in Thailand financing may be needed early next year for the building of a \$400 million undersea pipeline network to serve the country's vast natural gas discoveries in the Gulf of Siam. Financing may also be needed for platform building and drilling work while in Malaysia several hundred million dollars worth of loan business is likely to be generated by the billion dollar liquefied natural gas project now going ahead at Bintulu in the east Malaysian state of Sarawak. The Hong-Kong-based Chase Manhattan Asia Ltd. heading a three-bank consortium recently appointed financial advisers to help oversee the Bintulu project. Whether that will be (ollowed up by syndication opportu-nities in the Asian market, and it so whether in Hong Kong or Singa-pore, remains to be seen, bankers

For the time being, with the syndicated loan scene quiet, the un-disputed stars of the offshore market have been the fixed and floating rate CDs.

Since the first floating rate issue by Dai-Ichi Kangyo Bank Ltd. of Japan last November, altogether 15 floaters worth a total of \$270 million have been offered by 12 issuing banks. Issues, all on the same term of three-year maturity and 0.25-percent spread above six-month percent spread above six-month Sibor, have mostly been for \$20 million at a time, with the largest, for \$30 million, by the Bank of Tokyo in August and the smallest, for \$10 million each, by Fuji Bank in February and the State Bank of Indian Catalog. dia in October.

Geographical Spread

Japanese banks have dominated the primary market, reflecting the Tokyo Finance Ministry prohibi-tion on commercial bank bond issues. The geographical spread of issuers so far includes the State Bank of India, two local Singaporean banks, the Banque Nationale de Paris, and most recently, the

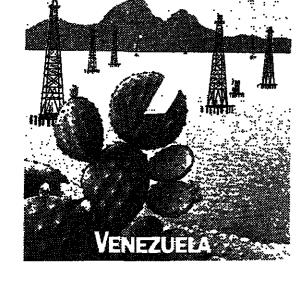
European-Asian Bank Issue activity faltered in midvear Issue activity faltered in midyear following a revision in "unofficial" Japanese Finance Ministry guidelines on Japanese banks' foreign loan cover requirements, which left several major banks temporarily over-funded with medium-term money. Activity picked up again in the last months of the year and should continue steadily through the coming year, bankers believe.

The fixed-rate CD market was launched by the MAS on Jan, 3, a couple of months after the start of floating rate issues, when an initial 26 banks were authorized to offer fixed-rate U.S. dollar CDs with maturities ranging from one month to five years, in amounts ranging upwards from \$50,000.

The market established itself quickly, with issues totaling more than \$300 million in the first quarter. It platformed in the second quarter as the dollar hiccuped and quarter as the dollar hiccuped and U.S. interest rates hardened, but momentum picked up again in the third quarter, helped by the relatively stable currency and rate conditions that briefly appeared then.

Total fixed-rate Asian dollar CDs outstanding rose to \$408 million at end-September from \$380 million at end-September from \$380 million at end-september said by end-October had risen to \$435 million.

(Continued on next page)

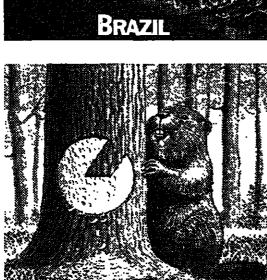


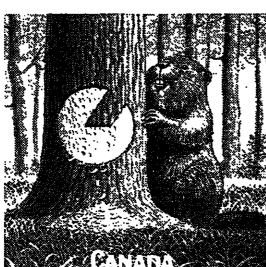


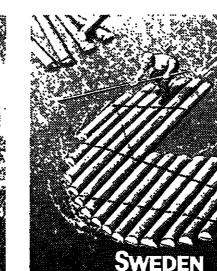












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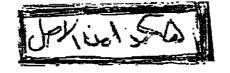
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. . .But Volume on Foreign Exchange Market Has Boomed

(Continued from preceding page)

according to statistics garnered by MAS. Total issues in the same period rose to \$700 million at midyenr, \$1.05 billion at end-September and \$1.1 billion at end-October.

Buyers of Singapore-issued paper have so far mainly been regional investors, contrary to pre-market guesses that initial demand would come largely from the United

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Some U.S. and European demand has certainly been seen, but the marketmakers are generally scornful of midyear press comment reporting massive North American corporate investment in Asian dollar CDs, taking advantage of a 25-point premium reportedly offered by Singapore issuers.

Traders say that was uninformed speculation. Prime name issuers have generally followed a strictly

have generally followed a strictly competitive rate policy. "From the start prime U.S. names in Singapore have been able to issue CDs at a cost of 1/8 percent to 3/16 percent below the bid side for deposits in the interbank market — the same spread enjoyed by top names in London," comments Fock Siew Wah, treasury department manager in Morgan Guaranty's Singapore

branch. Less well-known local names may issue at a premium, but they have been a minority in the market. Of \$1.05 billion of fixed-rate Asian CDs issued up to September 29, the majority — \$602 million worth were sold by U.S. banks, MAS figures show. European banks issued \$171 million, Japanese \$129 million, Singapore banks \$98 million and others \$52 million.

In the secondary market, floaters have generally not been traded on a two-way basis. Once the paper finds its way from the managers and marketmakers to the portfolios of their investor clients it tends to stay there, traders say.

But genuine two-way trading in-terest has developed for fixed-rate issues, albeit in somewhat irregular volume. Market analysts assess average daily turnover presently at between \$25 million and \$30 million, after peaking at \$60 million in one day during the last week of

For the time being the prospect is for a further shrinkage in trading volume reflecting the high cost of U.S. dollar funds—a negative car-ry recently on CDs has hardly helped, traders say. On a long-term view, however, the Singapore mar-ket has clearly established itself both as an issuing center and a useful secondary dealing center, and it should see good growth when fa-

Disappointments

One slight disappointment has been a lower-than-hoped-for volume of sales to the Middle East. possibly reflecting the relative thinness of communications links be-tween Singapore and Bahrain. That could change with next year's

planned opening of direct-dial tele-phone services, traders believe.

Another slight disappointment has been the shelving, for the time has been the shelving, for the time being, of plans to set up a CD market clearing system jointly owned by market participants. A committee chaired by First National Bank of Chicago (organizers of the London CD clearing system) reported in midyear that turnover in the Asian market was insufficient to support the facility. For the present, therefore, the market has continued to be served by the clearing arto be served by the clearing arrangements made available by the Hong Kong and Shanghai Bank's Singapore branch. A second channel is expected to become available next year when the Luxembourgbased international bond clearer, Cedel, proposes to link into Singa-pore through a depository facility operated by the local branch of

Banque de l'Indochine et de Suez. Cedel's Singapore operation would handle both bonds and CD business, and, although nothing has so far been formalized, an an-nouncement is likely before the end of this year, bankers said.

Beyond that, the jointly owned clearing scheme is on ice, but not dead. The committee report to MAS indicated it could be viable if market turnover doubled, bankers said. And if, as seems likely, the CD market in Singapore conforms to the London pattern, developing an outstanding volume equivalent to roughly 10 percent of the total Asian dollar deposit base, there should ultimately be sufficient

trading turnover to support the facility, if it is still wanted.

"A doubled turnover doesn't seem a target difficult to achieve. For the time being it's best to keep to the present system using Hong Kong and Shanghai Bank, but there's no need to close our minds on alternatives," says one MAS

In contrast to the fairly healthy clip of CD business, bond business has languished most of the year. Dollar weakness and high U.S. interest rates between them choked both borrower and investor interest in medium and long-term fixed-rate paper (even in the relatively liquid CD market the trend has been heavily towards the short end, with 42 percent of outstanding fixedrate issues comprising three-month CDs, and another 30 percent of six-month issues, a MAS analysis

The surge of the Hong Kong and Singapore stock markets com-pounded the market's relative lack of attraction for investors while the development of a highly liquid domestic capital market in Japan cut issuers that sustained the offshore market in 1977.

Bond market specialists, however, do not seem too worried. Some draw an analogy with the Eurobond market between 1972 and 1974, when a period of strong activity was followed by a year of dearth before issuers came back again for larger amounts than ever before.

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Compared to the Euromarket, the Asian market has developed little capacity to place issues in currencies other than the U.S. dollar. The shortlived offshore Hong Kong dollar bond market experience is an example. On the deposit side, too, it remains almost entirely a one-currency market.

Just when the Asian dollar bond market is going to come back again is not clear: apparently not imme-diately. Only recently the European Investment Bank (EIB), one of the best-known names in the market after three borrowings in the last three years, reportedly tried to agree on a mandate for a fourth is-sue but could not reach accord with potential managers on the terms,

Still, if the Euromarket analogy holds good and bond business re-turns in the next year in greater is-sue amounts than before, that in itself would help to solve one of the

long-standing problems of the Asian market — the shortage of suitable and willing borrowers. If managers could offer potential

borrowers an absorptive capacity of \$30 million to \$50 million in place of the present capacity of beween \$20 million and \$30 million, many more quality names would be willing to undertake the relatively lengthy legal and administrative processes of a a bond issue, the bond specialists argue.

More good names in the market

would be a step towards a diversification that, increasingly, bankers see as the necessary next stage in

the market's development. Everybody seems to want diversification, but nobody seems too sure of the

route to get there.
Some bankers talk in terms of diversification of instruments. After CDs, bankers acceptances have also been considered. But MAS of-ficials point out that the Associa-tion of Southeast Asian Nations (ASEAN) bankers council has a regional bankers acceptance market under study, so Singapore will probably wait to see what comes out of that they say. Cynics who have seen what usually comes out of ASEAN, or any attempt for that

matter to do internationally what has not been achieved nationally. could be forgiven for seeing that as a kiss of death.

Others talk of diversification of currencies, and geographical diver-sification of borrowers. Some progress has been seen on both those fronts in the last year with note is-sues by the Republic of Panama and the African Development Bank (ADB), a 40 million Euro-Asian mark convertible debenture issue by Casio Computer of Japan, and an offshore yen issue by the ADB. The trouble is, say some marketmakers, they did not sell well in the

Asian market because of conservative investor resistance.

Euromarkets.

Compared to the Euromarket, the Asian market has developed little capacity to place issues in cur-rencies other than the U.S. dollar. The shortlived offshore Hong Kong dollar bond market experiment is an example. On the deposit side. too, it remains almost entirely a one-currency market.

Perhaps the best prospect for diversification lies in the gradual and undramatic extension of the market through the continuing process of new bank openings. Banco do Brasil was one bank that opened a Singapore offshore branch this year, and followed up soon after by syndicating a loan for Goias province. An earlier, but still recent entry, the State Bank of India, not only came to the market with a floation much control of the state but is the floating rate CD issue but is also reported to have developed an active foreign exchange business between the Singapore market and

Deutsche Bank established a Sin-gapore merchant banking subsidiary in the last year, taking a leaf out of Dresdner's book, and bankers report Commerzbank is now applying, Dresdner Southeast Asia has established itself not only as the biggest merchant bank in assets in Singapore (although much of that represents booking of business done elsewhere), but also as a highdone elsewhere), but also as a highly active foreign exchange trader. The growing presence of the big German and Japanese (Industrial Bank of Japan and Tokai Bank this year) banking houses has clearly played its part in the transformation of the foreign exchange market, and maybe in future will help effect a similar transformation of the deposit market. the deposit market.

The Singapore offshore market consisted at the latest count of 29 offshore banks, 28 merchant banks and 84 ACUs. As the network wid-ens, so, inevitably, will the market. The question remains, however,

of when Sally will be coming to

Vienna, a city which often appears to visitors to be rather drab, is smartening itself up.

Palaces, museums, churches, theatres and the numerous large middle-class mansions - all witness to a dazzling past - have been given a new and sparkling facade. On the "Ring", the famous avenue encircling the Inner City, there is hardly a building left that has not now been given a face-lift.

he "Kärntner Straße", the "Bond Street" of Vienna, has been turned into a pedestrian area.

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ultural experiments, modern theatre, interesting exhibitions.

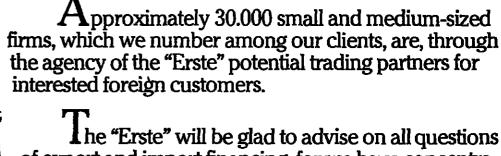
These are all signs symptomatic of a flourishing economy.

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market place. And last not least owing to the strong position of the Austrian currency and the stability of the Austrian economy.

he "Erste", the major Austrian bank in the very heart of Vienna, has expanded its international business considerably over the past few years.

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of export and import financing, for we have concentrated especially on financing operations which assist our own clients. As an example,

medium term Euro-Credit transactions may be mentioned.

> he "Erste" is participating more strongly in "international underwriting," too. Since 1977 we are a member of SWIFT, and so international currency transactions in Austria are now executed in a matter of seconds: Through the "Erste".

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Despite Quotas, Rise of Franc, More Borrowing From Swiss

rowers continue to be hard to find, complain Swiss bankers. They grumble about the Swiss franc, which has risen enormously against

major currencies over the years. Curiously, rather more borrewers have come forward to tap the Swiss capital market this year than in 1977, which itself was a pretty good year.

According to the Swiss National Bank, there have been 44 public bond issues of foreign borrowers in the first nine months of this year. up from 36 in the same period a year ago. The volume of borrowing has risen to about SF 3.6 billion from SF 2.5 billion.

Redemptions, however, many of them early, have been running at a high rate. For the first nine months. these have totaled SF 2.7 billion, up sharply from SF 1.4 billion last

Still, the market has behaved more impressively than the figures

ly a shock last spring. At that time, the Swiss central bank and the government still believed that the cure for the Swiss franc's forceful rise could be found in blocking capital inflows. Acting on this belief, it announced a package of measures to do so. One of these set up a quota system for subscription to new bond issues of foreign borrowers. restricting nonresident foreigners to a maximum 35 percent participa-

Since then, Swiss thinking has changed. While the quota system continues to exist, the share for nonresident foreigners was broadned to 50 percent early last Octo-

Restrictions

The first set of restrictions last spring upset the interest-rate trend. The year started with 44 percent

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Of late, there is growing belief among some borrowers that the Swiss franc may have risen about as far as it is likely to and that the exchange risk is not as great as it has been in recent years. There may even be a chance of the trend going the other way — of the Swiss franc weakening — some Swiss bankers point out.

borrowers. Citicorp Overseas Finance, Norges Hypotekforening, France's Caisse Nationale des Telecommunications and the Asian Development Bank all placed pahich was towards lower coupons. per at this rate. Given the liquid state of the market, and with forcoupons on 15-year issues of prime eigners seeking Swiss-franc invest-

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ment opportunities, the coupons dropped to 34 percent in February. Borrowers taking advantage of this included New Zealand, Oesterreichische Donaukraftwerke, the New Brunswick Power Commission and Hydro Quebec. At this point, the Swiss National

Bank's quota system was an-nounced and the market overnight became uneven. Foreigners continued to seek Swiss-franc bonds, and their 35-percent share of new issues was invariably oversubscribed. But the Swiss quota was not being fully taken up. Investors were holding onto their funds and continued to do so until July. The paper left over with banks was dumped on the sec-ondary market, where prices were knocked down.

Downward Trend

"What the national bank's restrictions did was to induce higher interest rates," says one banker in charge of this business at a major Swiss bank. The coupons rose to 4 percent, then to 414 and finally to 41/2 percent before the market's mood changed in July, although some of the less than prime names had to pay 5 percent or more for

Since July, the trend once again has been downward. "Somewhere then, the investors changed their outlook and started coming back," says one bond dealer. In August, the World Bank tapped the market with a 4¼ percent coupon, and Chase Manhattan with 4 percent in September, the World Bank successfully offered a 4-percent coupon and Bankamerica 3½ per-Bankers now say that this down-

ward trend has hit bottom with American Express International Banking Corp. getting away with a 314 percent coupon in November. "I think we'll see a gradual upward move, although nothing sudden," suggested one banker. However, one uncertainty is at

what terms, and how much the U.S. Treasury plans to raise in Swiss franc bonds as part of its dollar defense program. Overall, the Treasury has said it will borrow up to \$10 billion by placing foreign currency notes. Dealers say that the

terms and the amounts in Swiss francs would have to be very carefully considered if the market is not

The calendar of new issues this year has been full, but there have been few private enterprises that have tapped the Swiss capital market. "They're the ones who are usu-ally very careful about foreign ex-

change risks," explains one banker. Bond specialists say that the very low interest rates motivate most borrowers of Swiss francs. Because official, or semiofficial agencies tend to concentrate on interest rates rather than on foreign ex-change risks, these are the major borrowers on the Swiss market.

Growing Belief

Of late, there is growing belief among some borrowers that the Swiss franc may have risen about as far as it is likely to and that the exchange risk is not as great as it has been in recent years. There may even be a chance of the trend going the other way — of the Swiss franc weakening — some Swiss bankers point out. A Swiss official notes that there are some borrowers who will go wherever the funds can be found, and that some take the risk simply to show their flag on the Swiss market.

None of the above reasons has been enough to bring back U.S., British and other corporate borrowers, whose names still attract the Swiss and international investors. "They've been paying up and they've had their fingers burned (by the rising Swiss franc) so we don't expect them back soon," says one

American banks have tapped the market this year, but it is thought that they needed the funds for their subsidiaries abroad so that the risk element was absent.

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In recent years, the Swiss authorities have encouraged capital ex-ports — through bond issues, private placements of notes and bank credits - so as to quickly redirect outwards the inflow of funds into Switzerland. As these capital exports have grown, bankers and economists have pointed out that the national bank has simply been postponing the day of reckoning. But now, with more and more early redemptions, this problem of later bunching appears to have lost some of its frightening aspect.

Moreover, rules of the national bank, in force since November, 1977, now require foreign borrowers to specify the redemption date. "No more open-ended stuff," is the way one official puts it. With the knowledge of upcoming redemptions, the Swiss central bank can make plans to cope with demand for its currency rather better than when borrowers have the option to decide when to redeem

Swiss bankers still hope that the national bank early next year will end restrictions of Swiss-franc investments by foreigners, although no one is quite certain when this may happen. In relaxing the rules last October, the national bank made an interesting change. While it retained the ban on new purchasby foreigners, it allowed the switching, through an investment account, not only from one bond or share to another, but from one market to another. Thus, a foreign-er now can subscribe to a new bond issue, sell in the secondary market. and buy Swiss stocks, at this time

Bond dealers admit that this has been happening and that such movements have adversely affected the secondary market, while buoymg the demand for new bond issues. Central bank officials decline to discuss the issue, which may well be a test to see what sort of capital inflows might result when the investment ban is totally

uheir paper.

the only route to such an end.

Dry Period for Dollar Bonds

the Swiss and other big European commercial banks certainly seem to have been able to use their in-house placing power to undercut the investment banks in pricing new is-sues and win more mandates from prospective borrowers.

European banks have also spent the last couple of years trying to get a toehold in the U.S. bond market, which now issues around \$5 billion worth of bonds for foreigners every

As one-third to one-half of all

Yankee bond issues are sold out- States, only members of the Nabeen able to secure underwriting and selling group positions in New York. But last year the European big U.S. investment banks, led by

side the United States to interna- tional Association of Securities tional investors, the banks have Dealers are allowed "re-allowance" discounts. But in Europe there is no official distinction between dealers and retail buyers, so it is harder to banks had their knuckles rapped draw the line. The U.S. investment for trying to introduce Eurobond banks solved the problem by introtactics into the U.S. market and ducing a new clause into underwrit-"re-allow" their selling group coming contracts that stipulated that
missions to major bond buyers. The
Yankee bonds could only be sold at a discount to institutions that would then be prepared to re-offer them to other buyers at the public

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Euromarkets_

Rise in Yen Hampering Interest in Samurai Bond Issues

the trials for the emments and public instituit that the terms to the emments and public instituit may be a surprised to raise money on the
market by issuing yen-deyo market by issuing yen-de-inated bonds are finding the ig tougher as underwriters are anding better yields to attract

ામાં his situation had led to a twostates and in instruments — dubbed Samu-quickly to bonds — which were being of the state and it at the rate of three to five is the capual's each month between January hanker July this year.

fromted by the hiatus was broken in early has supply the hiatus was broken in early has supply the highest by a 25 billion yen Venator of feeling eith a maturity of it and more years and a yield of 6.884 perproblem of the light by the highest yield of Problem of L. It was the highest yield of-to have lost sed by a foreign borrower since the problem of L. It was the highest yield of-to have lost sed by a foreign borrower since the problem of L. It was the highest view of the pro-tor of the problem of the p the hands sprevailed in Tokyo being the hands specentage points above that the future similar ten-year 30 billion yen the foreign hie by the Kingdom of Denmark the foreign saue in the recommendation much that the foreign issue in the foreign that month.

This willingness of foreign borupcomvers to pay more for their money Shim to cope to have opened the way for the labeler resumption of Samurai bond tolks fallbraies, but at a slower pace. A 40 tolks but have been a ferring was

all hope that Swiss-frame

reners, although a real when f

50 billion yen Australian issue in December.

By the end of August the amount of Samurai bonds issued during the year totaled 572 billion yen, a little more than half the one trillion yen figure for the whole year that had been anticipated in the early months of 1978 when these bonds were among the most sought-after securities in the Tokyo

This development has caused ripples in the Japanese financial com-munity. One of the government's objectives in liberalizing the issue of yen-denominated bonds was to encourage an outflow in capital to offset the large surplus in Japan's balance of payments. It required borrowers to convert the yen they obtained from the loans into foreign currencies one week after the issuing dates, thereby decreasing foreign currency reserves.

Downward Pressure

A strong downward pressure has developed on bond prices in general in the Tokyo secondary market largely because of an overflow of Japanese government bonds. This Timers harding yen Norwegian offering was when to reduced the November and a specific rather than the reduced the November and a specific rather than the reduced the November and a specific rather than the reduced the November and a specific rather than the reduced the reduced reduced to the reduced r

nanced through the issue of bonds ment for the first time in history that will amount to approximately postponed to November its Octo-11 trillion yen by the end of the fiscal year in April.

have remained unsold with the result that by the end of August. 10-year bonds were being traded on the secondary market at 4 percentage points below their issue price. This situation has since improved as farming cooperatives, flush with funds obtained from the Treasury in payment for the rice crop, made large purchases of government long-term bonds. The market price recovered to 1.22 percentage points below issue price by the end of

To alleviate the glut, the govern-

ber issue of 70 billion ven in discount bonds with a five-year maturity that was to have been underwritten by a syndicate of banks

currency reserves.

The government is resisting the market pressure for higher coupons on new issues as this would result in a drop in value of its outstanding issues. It is also restraining domestic private issues by insisting that their coupon rates be kept low.

This has made it difficult for securities houses to unload new issues of government, corporate and

Security analysts see a growing investor orientation towards short-term securities as contributing to the popularity of yen-denomina foreign bond issues, most of which have 10 to 15-year maturities.

Business Practices

Other factors cited by these ana lysts as hampering the development of an active market in yen-denominated foreign bonds are the peculiar business practices prevailing in the country.

One of these is that, conditions being equal, a Japanese institutional investor will choose a domestic private issue over a foreign issue. The analysts attribute this tendency to the closely knit structure of Jap-

One analyst put it this way: "Suppose you are in charge of the portfolio of an insurance company. By buying the Japanese issue you acquire the merit of maintaining good business relations with the issuer, who will be more inclined to bring his insurance business to you when he learns you have bought his bonds. You can't hope for such side benefits with a foreign issue."

The same applies in a wide range of other businesses, he pointed out. Another factor is the red tape

into foreign currencies one week after the issuing dates, thereby decreasing foreign

screened by the Ministry of

Finance before they can be floated to protect investors, but the indi-vidual who buys the securities remains in the dark about the credit rating of the issuer or the amount of his aggregate indebtedness.

But, in the view of these analysts, the prinicpal reason why Samurai bonds have lost their erstwhile glamour is the withering of foreign

avid buyers as the ven continued to rise, felt that a further revaluation of the yen was unlikely after it had reached its peak at 180 yen to the dollar in the summer months. Many of them began liquidating their securities to capitalize on for-eign exchange gains, thus further aggravating market conditions.

Yankee Bonds: A Decline?

Living the it (Continued from Page 7)

Distributed F change hvice to accommodate Far Eastor new pure investors.

it allowed Mr. Sheinberg noted that at least an income percent of Yankee bonds find the ne hearin way into foreign hands. They have the control of the contr hut trem & attractive to foreigners because has a largankee bonds are exempt from the that he billion tax, that foreigners conduct mainst pay on other U.S. securities to the Ed because the Yankee bond mart is much more liquid than the at that the prodollar bond market, he said.

that Another potent and growing which words is represented by the so-fel and balled "captive" insurance compa-il there are no by U.S. firms in offshore was vens, such as Bermuda and the and aribbean islands, to insure their totals newn property, bond men say.

hard leg Within the United States, Yane bonds have been winning wider eptance among investors, said Jomon's Mr. Voute. "Years ago, ople wouldn't buy a foreign and," he said. But the "world is

becoming smaller and foreign of Moody's Investors Service Inc. offerings now find a good reception in New York, New England, Chica-go and the Northwest, he said. He predicted that their acceptability would spread to the Southeast and

Growing acceptability in the United States, together with increased demand from the Japanese and the U.S. offshore insurers, has tended to reduce the interest-rate premium that foreign governments must pay in the Yankee bond market over what the U.S. government pays. One investment banker said that the premium has been cut in some cases to 70 basis points from 125.

IOUs

Parallel to the increase in foreign bond issuing activity in the United States following the 1974 removal of the IET has been heightened interest abroad in U.S. commercial paper - short-term IOUs with a maximum maturity of 270 days. The commercial paper division

estimates that foreign and foreign-owned companies had about \$3.5 billion of commercial paper out-standing as of June 30, 1978, up from about \$3.2 billion a year before. Investment bankers esti-mate that more than 35 such companies have tapped the market, and they add that many more are studying the possibilities of issuing commercial paper.

Siemens Capital Corp., a subsidi-ary of Siemens AG of Munich, announced plans in September to raise up to \$100 million. And in August, Svenska Handelsbanken became the first foreign bank to raise money in the market.

So far, the biggest borrower by a long shot has been Electricite de France, the government-owned utility. EDF, which started issuing U.S. commercial paper in 1974, had some \$1.3 billion outstanding in the market around mid-October, according to Goldman-Sachs, which acts as the utility's dealer.

that a semi-governmental entity has to cope with in purchasing foreign issues, as before buying it must obtain the approval of its supervisory government agency. For example, the Railway Workers' Mutual Aid

One of the government's objectives in liberalizing the issue of yen-denominated bonds

was to encourage an outflow in capital to offset the large surplus in Japan's balance

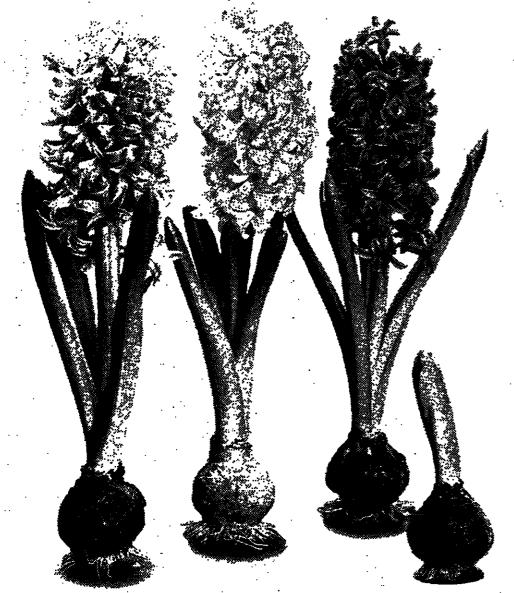
of payments. It required borrowers to convert the yen they obtained from the loans

Society, which manages a considerable amount of funds, is required to get approval from the Transpor-tation Ministry. Farm cooperatives must get the nod from the Ministry

The third factor that affects individual investors, according to the analysts, is the absence in Japan of a rating agency. Yen-denominated foreign bond issues are carefully Overseas investors who had been

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world, its vast transit trade and multibillion imports and exports. Hollandalthough a small country-plays a signiti-

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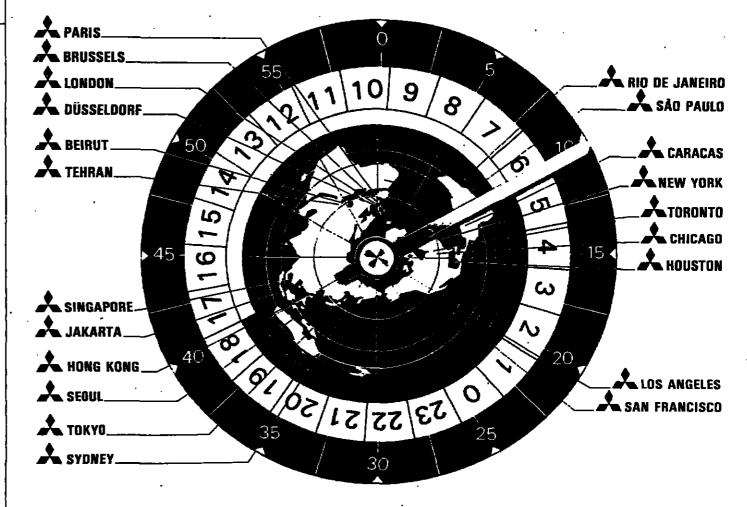
Though NMB ranks number three among commercial banks, it is number one with thousands of medium-sized and larger companies that form the backbone of Dutch business.

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able amount of their business, it has gained an expert knowledge of international trade.

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Euromarkets

Arab Currencies: Uneven Development in the Money Markets

By John Townsend MANAMA. BAHRAIN (IHT) IVI — In spite of the growing sophistication of Arab financial inthe development of Arab currencies as genuine international exchange mechanisms, to be compared with the U.S. dollar or the Deutsche mark, remains uneven and has far to go. There are three, or possibly four. Arab currencies that in one way or another are used outside the national boundaries of the countries that issue them: the Kuwaiti dinar, the Bahraini dinar, the Saudi Arabian rival, and possibly the

United Arab Emirates dirham. None of the four governments concerned has attempted to let its currency take the lead in international or regional money markets. Kuwait could claim with justice to

ment of a money market and that state's financial managers have earned a well-justified reputation for professional competence and acumen. Some would call the Kuwaitis overcautious and charge that the tight control exercised by bank means that others pick up business that the Kuwaiti banks should have been able to get. Kuwait has a thriving interna-

tional bond market denominated in Kuwaiti dinars. So far some 35 bond issues have been made to borrowers as diversified as Sonatrach. the Algerian national oil and gas company, the African Development Bank, the Korea Develop-ment Bank, and the Republic of Panama. There is an active secondary market in KD bonds. In addi-tion. Kuwaiti banks and finance tion. Kuwaiti banks and finance this, Kuwaitis reply that Kuwait houses were empowered by a law has really only begun to develop as

None of the four governments concerned has attempted to let its currency take the lead in international or regional money markets.

promulgated in October, 1977, to issue another form of marketable security, short and medium-term

certificates of deposit. In spite of its undoubted success in developing international busi-ness, the Kuwaiti dinar market has national corporate borrower. A casual observer could be forgiven for thinking that borrowers only go to Kuwait for their financial needs when they have been unable to

the last five years. During this time, enormous progress has been made. but Kuwaitis themselves are the first to recognize that they still have some way to go before their financial institutions can match the range and sophistication of West-ern institutions.

Another consideration that makes prudent international bank-ers cautious of the Kuwaiti market is that the Kuwaiti dinar's strength cannot be measured in a free market. The govenment of Kuwait holds its currency steady against a

a financial center over the course of basket of foreign currencies. Having a large balance of payments surplus, a surplus that will almost certainly continue until the end of the century, the Kuwaiti authorities could, if it suited them to do so, vary the exchange rate of the iwaiti dinar at will.

Much the same could be said of the Saudi riyal, of course. The Saudi Arabian authorities have made no attempt to match the Kuwaiti development of financial institutions that have a soundly based international reputation. Indeed there are ambiguities in the Saudi approach to the management of its currency. An extreme conservatism

is the hallmark of these policies. but a dichotomy between official policy and day-to-day practice has developed. A prime example arises from the fact that the Saudi government has ruled that all contracts in the kingdom must be denominated in Saudi riyals. International contractors with an eye to margins buy their Saudi riyals forward on the Bahrain offshore market, and more than \$2 billion of the assets of the Bahrain-based offshore banks rep-

resents Saudi rival loans.
The Saudi Arabian Monetary
Agency (SAMA) is known not to
be completely happy with the
arrangement. On the other hand, if SAMA did not release the Saudi riyals, there could be no market. and contractors would not be able to get rivals for their contracts.

SAMA is also less than happy at the way that Saudi Arabian banks use the offshore market. Its restric-tions on bank lending in the kingdom tend to be draconian; Saudi banks have realized that they can themselves use the offshore market in Saudi riyals to increase their domestic lending base. It could be that Saudi Arabia is witnessing the beginning of a conflict between the desires of ultraconservative noncommercial policymakers and the needs of a thriving business community that is becoming increasing-ly international in outlook. SAMA's policy of a rigid control of Saudi banking becomes less and less realistic in the developing national and regional business enviSAMA's policies are the antithesis of those of Bahrain, and Bahrain has gained by Saudi conservatism. The Bahrain dinar has not the solid financial backing of the Kuwaiti dinar or the Saudi riyal, but this is not to suggest that Bahrain's currency is other than sound. Indeed, if the Gulf currencies were to float on a free market, the Bahrain dinar would probably emerge as one of the strongest, be-cause of the more diversified economy that sustains it and because of the sound commercial policies of the government of Bahrain. These policies have lead to the creation of the \$20 billion Bahrain offshore banking market.

In addition to its offshore bank-ing activities, Bahrain is also federal structure of the U.A.E. that

international banking. The difference between Bahrain and Kuwait is that the latter does not encourage foreign participation in its banking and financial business, keeping all management, control and profits on the other hand, is actively en-couraging the establishment of foreign banks on the island. Although international financial transactions denominated in Bahraini dinars have so far been small, the market is well placed for growth and devel-

opment.

The development of the U.A.E. dirham as a regional or international currency is held back by the con-

have, so far, put a brake on the es-tablishment of a strong and effec-tive central bank and that have al encouraged a proliferation of commercial banks. In theory, the U.A.E. could compete with Bahrain and Kuwait Indeed, giver, the strength of its financial base (the oil revenue surplus of Abi Dhabi), and the outstanding comercial flair of some of its leading figures, the U.A.E. ought to be strengther most effective regional fig. come the most effective regional financial center in the Gulf. Indications are that this could still happen, but it will not until national policies are stronger than the policies of individual emirates and

mpa-

G-U-

until the debate between the direc-tive policies of Abu Dhabi and the apostles of laissez-faire in Duba

Weak-Currency Bonds a 'Flop'

PARIS (IHT) — The difficulties in reopening the primary market for French franc Eurobonds in September illustrate the pronounced sensibilities of the international capital markets.

The French treasury engineered the revival after a two-and-a-half year halt with a 200 million franc bond issue from the European Investment Bank (EIB). Although lead manager Credit Commercial de France claimed the issue was a success, most other underwriters groaned at the difficulty of placing the 10-year paper, and secondary market performance indicated a continuing need for support. Some observers even used the word "flop," although many consider the term too harsh.

Nonetheless, keeping to its time-table of one issue a month for a probationary period, the French authorities prodded another franc issue last month. The seven-year 100 million franc issue from Unilever already looked better than the EIB bond. Besides the smaller, amount and shorter maturity, the Unilever issue sported a 10-percent coupon, a quarter-point higher

There were many complaints about the choice of EIB to lead off the French franc revival. The lending institution of the European Economic Community already has a reputation for seeking tight terms and is in the process of aggressively extending both the volume and class corporate borrowers.

But the basic problem with the EIB issue, underwriters cencede, was not really the borrower nor even the terms, but the currency. The timing for this first issue was hardly propitious — hardier cur-rencies, like the Dutch guilder, had already been chased into a temporary retreat from the international

Too Great a Risk

The Eurodollar bond sector itself finally succumbed to the fatal combination of plummeting currency value and skyrocketing interest rates. The French franc weakened while the EIB bond was on offer, and the rate for six-month Eurofrancs moved up to 1.5 points above the EIB coupon. Nor does the short-term outlook for the franc, in view of internal politics and the speculation surrounding the creation of the European mone tary system (EMS), promise much security.

And so bond dealers expected that the Unilever issue, despite its relative merits, would find few takers outside France. The currency and interest-rate considerations simply make the French franc too great a risk for international bond investors.

These same factors were responsible for the demise earlier this year of the short-lived revival of sterling.

dealers say, not to mention the vir-tual disappearance of the Canadiar dollar. While much of the commentary regarding the pound fiasor concentrated on the surprisingly in-competent behavior of the managers in congesting the market and misreading the trends, dealers or the Continent say the major underlying reason for the disaffection with sterling was renewed skepti-cism regarding the pound's stabili-ty. Six-month Eurosterling rates ave remained above 13 percent of late. The secondary market for sterling Eurobonds was among the hardest hit last month.

The Canadian dollar has all the problems of the U.S. dollar, and more. Despite the U.S. dollar's steep decline against world curren-cies this year, the Canadian currency has lost almost 7 percent against its U.S. counterpart, falling to U.S. \$0.84. The Deutsche mark, which has appreciated 80 percent against the U.S. dollar since 1972, has gained 116 percent against the Canadian unit — a gain second only to the mark's 150 percent appreciation against the Italian lira.

Canadian dollar new issues still

totaled U.S. \$654 million last year, or 3.4 percent of total Eurobond issues. This was less than half of the \$1.45 billion issued in 1976, which represented 9.4 percent of that year's total. But this year, the currency has practically disappeared from the primary market and underwriters only snort when

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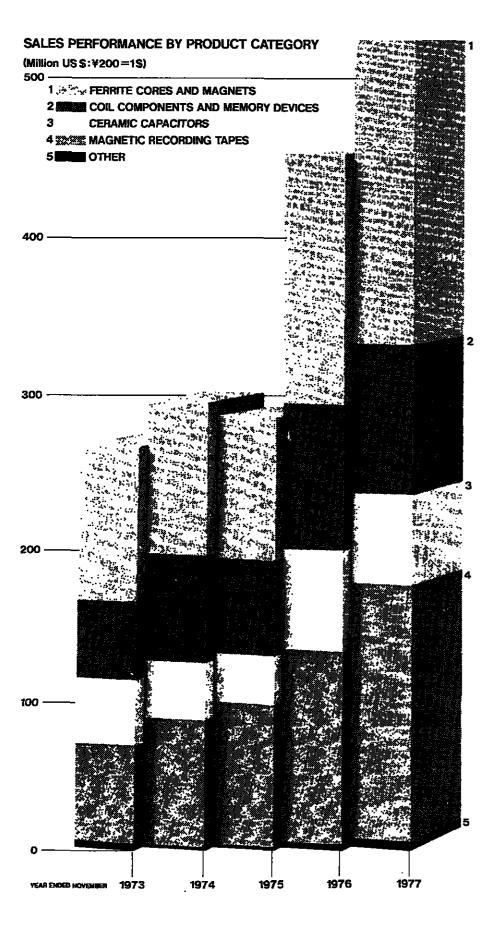
throughout Japan as "Takugin", a contraction of Takushoku ("development") and "ginko", the Japanese word for bank. ·Because our full name can be somewhat im-

Takushoku Bank, Ltd., we are popularly known

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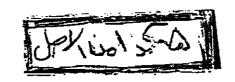
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help the somewhat fragile Irish economy keep pace with West Ger-many. The Irish claim to require

£650 million over five years if Britain also joins the EMS, or "sub-

stantially more" if the British re-

Moreover, the Irish would like

the bulk of the cash to come in the

form of grants rather than loans

and they would like it to be

ties associated with EMS member-

This appears to be the first time

against a Jewish-owned bank by

Arab interests have surfaced pub-

licly in Europe. It is also believed by banking sources here to be the

first time such charges have been

traded openly among Swiss banks

operating on the Swiss capital mar-

The bank involved in the alleged discrimination is Bank Rothschild

of Zurich, which is jointly con-

trolled by the London and Paris branches of the Rothschild family.

Rumors Confirmed

general manager of Bank Roth-schild, confirmed rumors that the

bank has just been asked to resign

ing an Algerian loan of 50 million

Swiss francs (\$33 million) because

of its Jewish connections.
"We were invited to join and

then we were disinvited. But we re-

acted more in sorrow than in

anger," he said.

The syndicate of banks placing the loan is headed by Banque

Gutzwiller, Kurtz, Bungener of Ge-

neva and also includes two Arab

banks, Saudi Finance Co. and Arab

According to bankers closely involved with the loan, Banque National d'Algerie, the Algerian state

bank raising the money, asked for Rothschild to be excluded from the

Company

Reports

830.00

1.63

Bank Overseas.

Revenue

Revenue.....

(Figures in Deutsche Marks)

(Figures in U.S. Dollars)

Detroit Edison

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from a syndicate of banks launch-

Yesterday, Gilbert de Botton,

Rothschild Unit Alleges

Arab Bias in Algeria Loan

PARIS, Nov. 27 (NYT) - A syndicate after consultations with

By Paul Lewis

main out.

explained.

culture Policy.

rke U.K. Said Wavering On EMS Decision

In the ONDON, Nov. 27 (AP-DJ) — with Dutch Prime Minister Andries Van Agt and Luxembourg Premier Van Agt and Luxembourg Premier Gaston Thorn on problems control in the Control of the EMS. The same Minister Jack Lynch that the cerning the creation of the EMS.

Italian Treasury Minister Filippo the whided on whether to join the proit of same dissed European Monetary System
it (1.4.5 on EMS), but Italy has made a tentait effective the desired to so sheed with the

of effective the decision to go ahead with the first in the Guillan beginning Jan. 1. informed that this courses said today.

It will not support the suggested that a decision of shaping the new system in a way that dual course sometime later in the week, atte being symmetries from complicates materials.

the between a nitish indecision complicates mathematic between a nitish indecision complicates mathematically between the members such as Italy.

The sources said litaly has made a basic decision to join the system, which is scheduled to become operational on Jan. 1. It will be preceded by a summit meeting of EEC heads of government in Brussels Dec. 4-5.

Ireland's main preoccupation concerning participation in the EMS is securing agreement for a substantial inward flow of cash from other member countries to help the somewhat fragile Irish the hard the EMS should be emoraced significant the supplies to join. Britain is reluctant to that her of the bandon a floating exchange rate sting the major the pound in favor of the fixed he trends a and width of the proposed EMS. lor the madreotti held separate meetings

g the point. Arabs See ndary marker Dollar Rise the 115 de As Trend

the (anadamenther of Arab officials and pripercentage bankers have turned bullish on expert, is made bankers have turned bullish on expert, is made and collection and support package.

If so percent Hamza Abbas Hussein, presiduated from the Central Bank of pure ledent of the Central Bank of pure collections indicates that interest rates

instable hake notes, depend on expectations of in are recycling rates, and as far as the million bdollar is concerned, the Central of total iz Bank of Kuwait thinks the outlook, is less that at least over the short term, is good. Half the Aba al-Khayl, finance minister of the Saudi Arabia. "The dollar will conthe productinue to gain. No longer can you

well-known European investment bank with strong Jewish connections of money controlled by both countrolled tries - the Saudi official reserves are put at \$45 billion, but it is be- in about three years that detailed lieved investible cash is closer to allegations of discrimination \$70 billion while the reserves of Kuwait's central bank, only a small part of the investment funds of the emirate, are conservatively placed at a respectable \$3 billion — the perceptions of the dollar also bear heavily on oil price politics.

There is no question that the trend of the dollar will affect the discussions in Abu Dhabi," Mr. Aba al-Khayl said.

Nonetheless, Mr. Hussein, the Kuwaiti central banker, and Abdel Aziz Qoreishi, president of the Sau-di Arabian Monetary Authority. declined to say whether they were increasing the dollar-denominated holdings of the assets under their control as a result of the Nov. 1 program, but private bankers interviewed in Kuwait said they thought both countries were.

Dollar Is Mixed In Slow Trade

The dollar finished mixed against major currencies in slow trading after profit-taking erased early gains.

Meanwhile, New York Federal
Reserve Bank figures showed that in the statement week ended last

franc to 1.7375 from 1.7350.

The dollar also slipped against the French franc at 4.4255 compared with 4.4275. Sterling moved up to \$1.9425 from \$1.9385.

Gold prices, meanwhile, rallied from their lowest levels reached just after the afternoon fixing session to close at \$197.50-\$198.00 an ounce, buying-selling, in moderately active trading, down from \$201.50-\$202 Friday.

Indonesia Suggests

them to forgo price increases on products in the wake of Indonesia's

15 put the rupiah at 625 to the dollar, against 415 previously. Mr. Halim suggested that new jointventure agreements should include 'a provision that the effects of the devaluation be shared.

PARIS, TUESDAY, NOVEMBER 28, 1978

FINANCIAL NEWS AND NOTES

Vauxhall Raises Prices 5%

Vauxhall Motors says it raised car prices by 5 per-cent effective Nov. 27. The General Motors unit is the first British car manufacturer to announce new price rises since the last round in early summer. Other manufacturers are expected to follow Vaux-

Mobil Dutch Appraisal Well Positive

Mobil Producing Netherlands Inc. says it completed drilling P/6-4a appraisal well in Block P/6 on the Dutch continental shelf which indicates a possible extension of the known gas accumulation on the block. Plans for commercial development of the field are subject to further assessment, it says as operator for a consortium. The consortium comprises Mobil 50 percent, Newmont Oil International 12.5 percent, Adobe 7.5 percent, St. Joe Petroleum-Holland 6.25 percent, Candel Oil 6.25 percent, Holland Sea Search 5 percent, Kewanee Industries 5 percent, Tanks Oil and Gas 5 percent and Tanks North Sea

BMW Sees 14% Sales Rise

Bayerische Motorern Werke 1978 parent company sales should rise around 19 percent to 5.93 billion Deutsche marks from 4.99 billion DM last year,

says. Group turnover should increase to 6.5 billion DM from 5.53 billion DM, he adds, noting that group sales rose 20.8 percent to 4.72 billion DM in the first nine months this year. Earnings this year should be satisfactory, following 1977 net profit of 125.3 million DM. He declined to make a specific forecast. BMW volume sales should rise 11 percent to 320,000 tmits this year, with foreign sales increasing 14 percent to 165,000 and domestic sales climbing to 153,000 from;143,700.

Experimental Alumina Plant Set

Aluminium Alcan de France, an Alcan group of Canada unit, along with Aluminium Pechiney, a unit of the Pechiney Ugine Kuhlmann group, say they are ready to start producing alumina on an industrial scale using minerals other than bauxite. The two companies, which in 1974 to set up a pilot plant in the south of France to test the "H-Plus" process developed by the French partner on a semi-industrial scale, found that the 20 tons of alumina obtained from the plant was of higher quality than that produced from bauxite using the traditional Bayer pro-duced from bauxite using the traditional Bayer pro-cess. They will now carry out studies to find the optimum technical, geographical and economic con-ditions for setting up a full-scale plant with an out-put of between 50,000-100,000 tons annually and to determine which raw materials should be used. The pilot plant produced alumina from such minerals as clays, kaolin and coal shale.

Communications minister Yeh

Rise in GNP Seen

(Reuters) — China's gross national product, which is now one-fifth of U.S. GNP, could reach more than

half of U.S. GNP by the year 2000, the Congressional Joint Economic

and any other companies breaking

the 5-percent limit. In the case of

Ford these were likely to involve

Sir Terence earlier met industry

secretary Eric Varley, employment secretary Albert Booth and prices

secretary Roy Hattersley to explain

in detail the settlement which is far

excess of the government guide-

The chairman said he told the

ministers that Ford did not regard

the award, which ended a nine-

week strike, as inflationary. He be-

lieved the settlement fell within the

intentions of the government's guidelines in that it aimed at struc-

turing payments of more than 5

percent in such a way as to reduce

strikes and so produce the neces-

sary savings to finance the extra

He added that the company in-

tended to closely monitor the work-

ing of the agreement to see that it

was self-financing and Ford had in-

vited the government to fully par-

Ford is the first major British

company to come up against the

government's 5-percent pay guide-line, which the national Trade Unions Congress has flatly reject-

ed. Statistics published today by the Confederation of British Indus-

try showed that many smaller firms are settling within the limit. About 98 percent of 197 pay deals registered with the CBI up to the end of

last week, covering 540,000 work-

ers, were within the guideline. Terming the nine-week strike

"the most disruptive in its history,"

Sir Terence said at a press confer-

ence that £450 million in sales were

lost. This was about 117,000 vehi-

cles lost - the equivalent, when

other earlier strike losses are added,

to all Japanese car imports into

Britain this year, he calculated. Production at Ford facilities in

other countries was disrupted as

well due to component shortages,

He maintained that the 17-per-

cent settlement will not be inflationary for three reasons: first, the

productivity deal included in the

settlement will more than offset the

ticipate in the scrutiny.

lines for the current pay round of 5

worth of

(1HT, Nov. 23).

WASHINGTON, Nov. 27

China Allows 49% Direct Investments

offered to allow foreigners to make direct investments, so long as the Chinese continue to own at least 51 percent of any joint venture.

The new policy was recently dis-closed here to a French economic delegation which was led by Franbunched toward the front-end of cois Giscard d'Estaing, president of the five-year period. "We want a the French External Commerce quick transfer because the difficulcials including Vice Premier Kang Shih-en and Ku Ming deputy head of the State Planning Commission.
In the French delegation were

ship would come quickly; the bene-fits only later," the sources Mr. Lynch reportedly did not show any enthusiasm in his talks top executives of 17 major companies, including representatives from with Mr. Callaghan for attempting banking, manufacturing, electron-to link start-up of the EMS with a ics, building materials and chemi-reform of the EEC Common Agri-

Today, French minister of for-Mr. Andreotti will also discuss eign trade Jean Francois Deniau held talks here with his Chinese counterpart, Li Chiang, and they "extensively exchanged views on EMS problems tomorrow with Roy Jenkins, president of the EEC

the two other Arab syndicate mem-

Floating Interest Rate

attracted some attention in banking

circles because it is one of the very few made in Switerland so far with

floating rate of interest.

the Swiss intrabank rate.

Ironically, the loan has already

It occurs at a time when in Lon-

don, Paris and Frankfurt, Jewish

bankers are saying that they are

starting to reach a tolerable working relationship with Arab financial

has much to gain from publicizing the cases of discrimination that still

ers have strong feelings about the Rothschild incident because they

fear it could create a precedent that

would destroy what they see as Switzerland's relatively good repu-

Accusations of active Arab dis-

crimination against Jewish banks

first surfaced in Europe early in

1975 in the immediate aftermath of

the four-fold rise in the price of oil that vastly increased the liquid cash

holdings of the Arab oil producers

and turned them overnight into

Letter of Complaint

In Paris, the Jewish-controlled banking house of Lazard Freres claimed it had been excluded from

a syndicate underwriting one large international loan at the insistance

of Arab investors. Andre Mayer,

letter of complaint to the French

dent happened in London, where

cluded from syndicates that they

usually belonged to as a result of

Arab pressure. Since then, however, the subject

er interested in starting public quarrels, because discrimination is

For example. Warburg was re-

cently associated with a major Malaysian loan managed by an

Arab bank, while last summer it

helped launch a loan for a Japanese

company. Asics, that also had Arab

declining.

Shortly afterward, a similar inci-

the head of Lazard, even wrote

major lenders on the international

tation in this respect.

capital market.

institutions and that neither side

Nevertheless, some Swiss bank-

PEKING, Nov. 27 (AP-DJ) -- In furthering economic and trade rela- (about \$957.8 million), in was re-

an apparent aboutface. China has tions" between the two countries. Mr. Deniau is reportedly here to sign a long-term trade agreement fei said a master plan for the two discussed earlier (IHT, Oct. 13) and projects should be ready by mid-talling for exchanges of up to \$11.4 1979.

A delegation from the West German state of Saarland visiting in Peking also said it expects a 1-bil-lion-mark Chinese order to plan, build and equip seven coal mines which will have a yearly capacity of 10 million tons.

In the past few days, Chinese of-ficials have also reiterated the new policy to several British businessmen. In addition, Yuji Okazaki, representative in Peking of the Ja-pan Association for the Promotion of International Trade, said Japanese companies also have been ap proached by Chinese authorities about forming joint ventures.

The apparent reason for the switch in Peking's policy is that joint ownership lightens China's own investment burden. Although foreign banks are eager to make credits available to China, a joint venture, in which China held a 51percent stake, would mean that al-most half the borrowing liability would be removed from China's

This would permit China to make better use of the credit available and advance simultaneously on more projects, thus speeding economic modernization.

Meanwhile, a group of Dutch companies has moved a step closer toward completing an agreement with China for construction and dredging projects, initially valued in excess of about 2 billion guilders

World Orders In Shipbuilding At 13-Year Low

LONDON, Nov. 27 (AP-DJ) -World merchant shipbuilding order-book tonnage fell in the 1978 third quarter by 2,345,475 gross tons to 28,123,576 tons, the lowest level since September 1965, according to Lloyd's Register.

More than 80 percent of the order book at the end of the quarter was due for delivery by end-1979, Lloyd's added.

The data exclude China and the Soviet Union and cover ships of 100 tons or more but not counting wood or non-propelled craft. The third quarter tonnage level continued a decline from the record 133.4 million tons set in March 1974, Lloyd's added. Moreover, intake of new orders for the first nine months of 1978, at 5.7 million tons, was less than 44 percent of total output for the period at 13.1 mil-

Soviet Grain Put at High

MOSCOW, Nov. 27 (Reuters) — Soviet President Leonid Brezhnev said this year's grain harvest to-taled a record 235 million tons, 5 Jewish-owned investment banks like S.G. Warburg and N.M. Roth-schild also found themsleves exmillion tons above preliminary estimates. He gave the figure in a speech to a plenary session of the mmunist Party's central committee. The previous record was 223.8 million tons in 1976. Last year's seems to have dropped out of sight Privately, Jewish bankers in Lon-don and Paris say they are no longharvest was 195.7 million ton.

Saudi Oil Exports Up

RIYADH, Nov. 27 (Reuters) — Saudi Arabia's oil exports in Octo-ber rose to an average 8.88 million barrels daily from 7.52 MBD in September, undersecretary of oil and mineral resources Abdel-Aziz al-Turki said, the official Saudi Press Agency reported.

Ford U.K. Chairman Gets No Indication of Sanction LONDON. Nov. 27 (Reuters) — cost of the contract above the 5-

percent limit. Lost production at Ford last year cost about £100 mil-Ford (U.K.) chairman and managing director Sir Terence Beckett told a press conference that governlion, officials said. ment ministers had given no indica-However, the total cost of the new contract was £48 million, of which about £17 million representtion if and when they will introduce sanctions against the company in ed the 5-percent basic increase. Therefore, if the losses due to unofresponse to its recent pay award totaling almost 17 percent. ficial strikes this year can be at The government has warned it least halved, then the pay deal would have paid for itself, compawill apply sanctions against Ford

ny officials reckoned. Secondly, he noted, price increases over the next 12 months termination of millions of pounds' will only reflect the basic 5-percent pay increase. In this regard, he said, Ford is "taking all the risk" that the productivity deal will be profit-

> Thirdly, the nine-week strike and the 17-percent settlement left Ford workers worse off than if they had immediately settled for a 5-percent rise. This has meant that the contribution to national purchasing power of the Ford settlement was less than 5 percent, he said.

Wall St. Prices Higher in Thin Trade NEW YORK, Nov. 27 (Reuters) Prices on the American Stock At the close, soybeans were 71:

Auto Sales Post Mid-November Gains

- Some late bargain hunting and a steady tone for the dollar pushed prices on the New York Stock Exchange higher today in light trad-

The Federal Reserve apparently confirmed it had tightened credit slightly. However, the market took singiny, rowered, the market took in stride the prime rate boost to 11½ percent which became industry-wide today.

The Dow Jones industrial average gained 3.72 points to 813.84 and advances led declines 803 to 673 Williams

637. Volume rose to 19.79 million shares from Friday's 14.59 million. A 33.7-percent jump in sales by General Motors Corp. pulled an otherwise sluggish auto industry to a 13.6 percent sales gain in mid-November. Combined sales of the Big Four car firms during the Nov. 11-20 period totaled 247,353 units. compared with 217,804 a year ago. Ford, Chrysler and American Mo-tors each reported declining sales for the period, continuing a slump that has afflicted the three firms for most of the autumn. GM gained 1/8

to 56%. Ford added % to 41%. Gaming issues dominated the action with mixed results. Caesars World, the volume leader, lost % to 25% but Bally Manufacturing add-

Rohr Industries said it received follow-on component orders from two facilities of Boeing totaling a procurement of \$218 million. Rohr gained % to 15½ and Boeing added 34 to 674

A federal district court judge granted Daylin Inc.'s request for a preliminary injunction to stop Uar-co Inc. and the Illinois secretary of state from the Illinois business

Committee said in a report. The report, a collection of papers by 35 economists, estimated China's Appeals. Cleveland-Cliffs Iron Co. presi-GNP growth rate from 1958 to dent Samuel Scovil said the compa-ny should report record results for 1977 at 5.5 percent with an industrial growth rate of 9 percent over

costs and benefits of auto industry Official Critical

The study says the two largest auto manufacturers, General Mo-tors and Ford, are likely to increase their share of the market between now and 1985 because they are most capable of financing the cost-

GM already produces almost 60

The study also says that American Motors is being placed "in an even more precarious position than the one it currently occupies" by

Exchange also rose, with the mar- to 13 cents lower, with January ket-value index up 0.25 point to contracts quoted at \$6.7314; wheat was 3½ cent higher to 4½ cents low-er. December \$3.70½; corn was 1½ In Chicago, soybean prices led no 2½ cents lower. December S2.27¼ and oats were 1¼ to 2½ cents lower. December \$1.31.

Page 17

Study Says U.S. Fuel Rule **Burdens Chrysler, AMC**

government-sponsored study has concluded that federal regulation of the automobile industry is caus-ing economic hardship for the nation's two smallest car manufacturers and could threaten their survival in the event of a recession.

"Even a minor recession in the next eight years," the study, con-ducted for the National Highway Traffic Safety Administration, read, "is likely to destroy the abilities of Chrysler and American Motors to maintain their announced investment programs to meet established regulatory requirements."

"The impact on Chrysler of even modest recession might be catastrophic, forcing the company to begin to dispose of marketable assets or to abandon some product

The study of the economic im-pact of federal safety, fuel economy and pollution regulations was conducted by Harbridge House Inc., a Boston-based research concern that has done other studies for the federal government. With the Carter administration already having retakeover act but he delayed the ef-fect of the order pending Uarco's airlines and the natural gas indus-appeal to the U.S. Court of try, on the ground that the rules aggravate inflation, the study is sure to intensify the debate over the

> The year-long, \$439,000 study, which will be formally presented to the safety agency next month, was welcomed by Chrysler and American Motors officials as supporting their own contentions regarding federal regulation. But it was criticized by an official of the safety agency, who suggested that Har-bridge House had uncritically accepted the assertions of the indus-

ly design and tooling programs needed to meet federal safety and fuel-economy requirements in the

percent of the domestic-built cars sold in the United States and Ford has slightly more than one-fourth of the market. Chrysler has about percent of the market and American Motors about 2 percent.

federal fuel-economy laws. Those

DETROIT, Nov. 27 (NYT) - A laws require each manufacturer's total 1979 production to average 19 miles per gallon, and the standard becomes steadily tougher until reaching 27.5 miles per gallon in

> Because Ford and GM have to sell large numbers of small cars to balance production of the more profitable large cars in meeting the fuel-economy average, the study notes, competition will become even more intense in this portion of the market, the only one in which American Motors competes.

The study says that, based on estimates provided by GM, Ford and Chrysler, "it appears that their total capital investment for the eight-year period 1978-1985 will amount to approximately \$69 billion, about half of which we calculate to be associated with regulatory compli-

Machine Orders Up 24% in U.S.

WASHINGTON, Nov. 27 (Reuters) — U.S. machine tool or-ders rose 24 percent in October to a record \$414 million from \$334.7 million in September and were 73 percent higher than in October 1977, the National Machine Tool Builders Association said over the

Domestic orders increased to \$386.55 million in October from \$309.75 million in September and overseas orders rose to \$27.45 mil-lion from \$24.95 million in Septem-

Shipments of machine tools, however, were little changed on balance at \$267.35 million in October compared with September, The October order backlog was \$3.26 billion, compared with \$3.11 billion in September and \$2.27 hillion at the start of the year.

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LONDON, Nov. 27 (AP-DJ) —

Wednesday, foreign central banks liquidated about \$1.8 billion of their holdings of U.S. Treasury securities, presumably as a result of their sales of dollars in the foreign exchange market. The dollar finished at 1.9260

Deutsche marks in London dealings, down slightly from Friday's level of 1.9290 DM. However, it edged higher against the Swiss

W. Germany Hoechst

Devaluation Sharing

JAKARTA, Nov. 27 (AP-DJ) -Indonesian National Investment Board chairman Barli Halim suggested Saturday that foreign companies with joint ventures in the country renegotiate their agreements to obtain terms allowing devaluation of the rupiah.

The devaluation announced Nov.

Amount requested U.S. \$ 375,000. For memic or personal meeting contact Edw M. Assabergh. 52 Boswachters-dreef B 2180 Kalmithout-Belgium Phone Antwerp 31-68 78.75 I am evaluable to assist the more sub-stantial investor with 2 MONTHS FREE ADVISE in options, take over candidates and special market situa-tions.

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27% 19% IC Ind 1.88
51 37% IC Ind 1.88
51 37% IC In pf 3.50
774 4 ICN
47% 34 INACP 2.60
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174 21 IUIII pf 1.25
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27% 24 IndiGes 2.40
25% 21% IndiM pf 2.15
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NYSE Trading Closing Prices November 27

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West Deep
West Driet
West Hold
West Min
Woolworth
ZCI **Brussels** Arbed GBL (BJamb) Cockerill Electrobel GB-Inno-BM

Eurocurrency **Interest Rates**

European Markets (Yesterdays closing prices in local currencies)

Amsterdam
AKZO
Albert Helin
Algembonk
Arban Rub
Fokker
Fokker
Helineken
HV.A.
S000

Gd Un St
Guinness
Gd Un St
Guinness
Hwker-Stid
Hudson Boy
Imps.Chem.ind.
Imps.
Amrobonk
Aban 62-50
Morks & Spen.
Metal Box
Nichols
Plessey

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75.20 137.40 174.00 174 **Paris**

Air Liquide
Allmentoide
Allmentoide
BSN
Aquillaine
BSN
Carretour
Cin Loforge
CEB
CGE
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L Oread
Mach Bull
Michelin
Moeil Henn
Moullnex
Portbas
PUK
Penarroya
Perrier
Peugeot
Rin Poutenc
Sactior
St Goboin
Suez
Telemecan
Thamson
Usinor

Zurich

London

Anglo-Am Ce Anglo-Am Borclays Bnk Beecham Ge BICC Boots Bowter BAT Ind. Brit.-Oxye Brit.-Oxye Brit.-Oxye Codbury Sc. Chartered Courtautts De Beer D Decca Rec Distillers

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Gold Fields

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European Gold Markets

November 27, 1978

A.M. P.M.
London 199.70 198.40

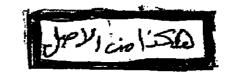
Zurich 200.375 198.425

Ports (12.5 kilo) 201.88 201.88

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London and Paris : Opening and of prices for Zurich.

U.S. dollars per durice.

Gold Options (prices in S/ez.)								
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L Qu 1211 (Valeurs White Weld S.A. L Quai du Mont-Blanc 1211 Genera 1, Switzerland Tel. 312560 · Telez 28305							



NYSE Trading Closing Prices November 27 354. 284. Notish 2.50 614. 334. Notish 2.50 614. 334. Notish 2.50 274. 134. Notish 971.60 275. 134. Notish 971.60 276. 134. Nethure 54 276. 134. Nethure 54 276. 134. Nethure 54 276. 134. Nethure 54 276. 136. Nethure 1.50 276. 137. NERGE! 2.76 187. 15. NERGE 1.52 276. 187. NERGE 1.52 276. NENtuci 40 304. 277. NENtuci 40 304. 277. NENtuci 40 304. 277. NENtuci 40 304. 277. NENtuci 40 304. 157. Newmort 30 167. Newmort 41 167. Newmort 41 167. Nindap 1.45 167. Nocal 1.16 276. 176. Nocal 1.16 276. 176. Nocal 1.16 277. Nortis 1.24 287. Nortis 1.24 287. Nortis 1.25 287. Nortis 1.26 287. Nortis 1.36 387. Nortis 1.36 388. Octip 1.36 389. 51% LOF pf 4.75 2054 LIDTP pf 4.75 2054 LIDTP pf 2.75 2054 LIDTP pf 2.95 25 Lipset 2.50 26 Lipset 2.50 26 Lipset 2.50 26 Lipset 2.50 26 Lipset 2.60 25 Lipset 2.60 25 Lipset 1.72 27 Lipse 32½ + ½ 25 32½ + ¾ 10¾ - ½ 10¾ - ½ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¾ 16 % - ¼ 16 % 32 24 40 42 10 44 60 42 10 15 76 10 15 76 10 15 76 10 16 76 10 76 1 24½ 15½ Paybory 28b 1234 15½ Pengon 1834 15½ Pengon 184 15½ Pengon 184 15½ Pengon 184 15½ Pengon 184 15½ Pengon 185 15½ Pengon 184 15½ Pengon 185 15½ Pengon 186 15½ Pengon 187 15½ Pengon | 19-16 Montasco 90 | 5-56 Moshkoft | 120 | 1444 MohkR | 120 | 1444 MohkR | 120 | 1346 Mo 14%+% 594+% 1995-% 20%+% 20%+% 20%+% 20%+% 20%+% 183 +% 183 +% 20%+% 125%+% 127%+% 127%+% 1176+% 1176+% 1176+% 1176+% 334 77 17 12 10 12 16 17 16 14 16

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FION

Tokyo Exchange

611 XD Authorbi Corp.
280 Authorbi Co.
582 Authorbi Co.
581 Niepon Elec.
481 Sharp
299 Sony Corp
2,800 Sumitomo Boni
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645 Tolkeda
443 Tellin
375 Tolkyo Morrine
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483 Torqy

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Paris Commodities

N.T. 1,840 1,870 N.T. 1,890 1,790

925 930 955 956 940 960 991 997 1,015 1,020 1,000 1,010 1,020 1,035 1,030 1,045

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26% 62 10% 13% 12% 9% 26% 15% 46% 46% 20% 25% 61 10% 13% 12% 26% 14% 46% 20% 16 46%

Chiya 12 Month Stack Sis. Close Prev High Low Div. in 5 Yid. P/E 100s. High Low Quat. Close 27% USSteel 1.60 27 USTobc 1.60 37% UnTech 2 99% UTCh 97.32 49% UTCh 97.32 49% United 20 6% Unived 20 6% Unived 36 16% Unived 36 16% Unived 1.04 27% Usion 1.32 15% USLIFE 44 10 UsiNFF 40 17 UlaPL 1.76 28% UTPL 972.50 7.913 621 23% 4.911 22 237/ 52 7 507 38% 6.6 103 1114 7.3 265 5274 7.6 8 115 19 1.4 8 11 147a 7.7 7 28 774 4.4 9 15122 5.5 8 15 187h 2.8 11 54 4674 1.4 6 93 187h 9.6 24 1014 9.4 9 x95 187h 9.6 24 1014 9.4 9 x95 187h 9.6 x9 297/ 2% Telex 28 Tenned 220 11% Tene pr 7.40 104 Tene pr 7.40 104 Tene pr 7.50 646 Tesoro 1.50 646 Tesoro 1.50 646 Tesoro 1.40 22% Texes 1.40 22 Texes 1.40 22 Texes 1.40 22 Texes 1.40 23 Texes 1.40 25% Tree pr 2.50 54% Texes 1.40 25% Texes 1.50 25% Te 22% 37% 110% 18% 18% 21% 21% 46 18% 29% 17% 16% 6 14 9% 45% 12% 25% 14 675% 877% 78 71% 99% 25446548 22466546 28 824 4444444 4455 1134644 11394644 11394644 23146546 28 113854 113854 11394654 11394654 113954 42 6 17 7 59 5 84 6 49 4 52 7 49 3 1946 1376 TylerCp A0 24 8 107
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2546 1776 UGL 1.20 A 7 26
4 116 UNCRS A0 2.3 6 24
234 17 UYING 1 5.6 4 3
24 374 1874 UARC 1.60 3.1 12 425
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1479 1874 UARC 0.160 3.1 12 425
1576 3672 UCOMP 2.40 3.1 10 4.7
1574 4574 URE 1612 144 9.7 8 249
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Est. sales: 18,000; sales Fri. 15,164,

Est. sales: 1,426; sales Fri. 1,565.

By reading across this table of the November 27, 1978 's closing inter bank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial

centers. These rates do not take into account bank service charges.

The following are Pollar values as quoted on the London foreign exchange market. Danish Knore 51935. Excusio 47:05: ISrael E. 1895; Peseta, 71:005. Schilling: 14:145: Sn Krona: 4.401; Yen 100-475; New Krone: 5-142; Fin Mark. 4.001; Belgian Financial Franc; 31:12; Hong Kong S. 4,8015; Singapore S. 2.2165; Canadian S. 84-835 U.S. cents. ic) Commercial Franc. (*) Umis of 100 (x) Umis of 1000 (y) Umis of 10000 (z) Amounts needed my one pound

International Bonds Traded in Europe

Midday Indicated Prices

Total open interest Fri. 127.714, up 2.187 om Thur.

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BANQUE POPULAIRE SUISSE S.A. BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK

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CHRISTIANIA BANK OG KREDITKASSE COMPAGNIE LUXEMBOURGEOISE DE LA DRESDNER RANK AG NER BANK INTERNATIONAL -

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DELBRÜCK & CO. DEN NORSKE CREDITBANK DEUTSCHE GIROZENTRALE DEUTSCHE KOMMUNALBANK DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

ROBERT FLEMING & CO. HAMBROS BANK GEORG HAUCK & SOHN E. F. HUTTON & CO. N.V. KJØBENHAVNS HANDELSBANK

Kredietbank s.a. Luxembourgeoise KUWAIT FOREIGN TRADING CONTRACTING & INVESTMENT CO. (S.A.K.) BANKHAUS HERMANN LAMPE LAZARD BROTHERS & CO., MANUFACTURERS HANOVER

MERRILL LYNCH INTERNATIONAL & CO. MORGAN STANLEY INTERNATIONAL NORDOEUTSCHE HYPOTHEKEN- UND WECHSELBANK JALS MEGILENBIRGSCHE HYPOTHEKEN-UND WEGISEL OKOBANK

OSUUSPANKKIEN KESKUSPANKKI OY ORION BANK PRIVATBANKEN SALOMON BROTHERS INTERNATIONAL SIMONBANK WIEW ETGLISOW SMITH BARNEY, HARRIS UPHAM & CO. SOCIÉTÉ SÉQUANAISE DE BANQUE

> SVENSKA HANDELSBANKEN UNION BANK OF FINLAND LTD. J. VONTOBEL & CO.

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(SECURITIES)

ABU DHABI INVESTMENT COMPANY AL SAUDI BANQUE amsterdam-rotterdam bank n.v. **BACHE HALSEY STUART SHIELDS**

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BANQUE DE NEUFLIZE, SCHLUMBERGER, MALLET BANQUE DE L'UNION EUROPÉENNE

Bayerische Landesbank

GIROZENTRALE BERGEN BANK BANKHAUS GEBRÜDER BETHMANN

CENTRALE RABOBANK (COOPERATIVE CENTRALE RAIFFEISEN BOERENLEENBANK G.A.) CITICORP INTERNATIONAL GROUP

CREDIT SUISSE FIRST BOSTON DAIWA EUROPE N.V.

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ARAB FINANCE CORPORATION S.A.L. BANCA COMMERCIALE ITALIANA

BANK OF AMERICA INTERNATIONAL BANK LEU INTERNATIONAL LTD BANKERS TRUST INTERNATIONAL

DU COMMERCE EXTERIEUR BANQUE INTERNATIONALE À LUXEMBOURG BANQUE DE PARIS ET DES PAYS-BAS BARING BROTHERS & CO.,

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CRÉDIT COMMERCIAL DE FRANCE

CREDITANSTALT-BANKVEREIN RICHARD DAUS & CO. WORM HANS W PETERSEN DEN DANSKE PROVINSBANK A/S DEUTSCHE BANK THE DEVELOPMENT BANK OF SINGAPORE

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HARDY-SLOMAN BANK GMBH HILL SAMUEL & CO. KIDDER, PEABODY INTERNATIONAL

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LANDESBANK SCHLESWIG-HÖLSTEIN GIROZENTRALE LLOYDS BANK INTERNATIONAL MERCK, FINCK & CO.

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PKBANKEN N. M. ROTHSCHILD & SONS SCHRÖDER, MUNCHMEYER, HENGST & CO. SKOPBANK

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YAMAICHI INTERNATIONAL (EUROPE)

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IN COMMON.

Audemars Piguet

HAVE SOMETHING VERY SPECIAL

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FRED 6 Rue Royale

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55 Brompton Road

CLERC 4 Place de l'Opéra

8 Rue du Fbg St.Honoré

Palais des Congrès C.I.P.

11 Piazza San Silvestro

LES AMBASSADEURS

285,100 31½ — ½
81,200 50 + ½
93,300 17 — ½
53,900 4½ + ½
53,400 18½ — 1
40,100 13½ — 1
40,100 34¾ + ½
37,900 9 — ½
22,700 4½ + ½
30,300 2 Today AMEX Close 2.64 308 0.89 2.65 1,73 2.43 816 Volume (in millions)
Advanced
Volume Up (in millions)
Declined
Volume Down (in millions)
Unchanged
Total issues
New 1978 lights
New 1978 lights Close 148.84

NYSE Index

Soles Close

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Che. 10.25

NEW HIGHŚ— 12 NEW LOWS-35

Carter Bonds Seen Soon PARIS, Nov. 27 (Reuters) - The United States will issue between 2.5 to 3 billion Deutsche marks worth of bonds on the West German martary sources said today. The sources, attending talks at the OECD on balance of payments here, said the bonds would only be sold to Ger-

man residents, not to central franks.

FEEDER CATTLE 42.000 lbs.: cents per Sales Fri. 9.636. Soles Fri. 964. Tolai open Interest Fri. 9,003, aff 227 from Ved. Market Summary NYSE Most Actives

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Dow Jones Averages Standard & Poors

IMM Futures

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 — 0.8029

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 — 0.0049

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 — 0.0046

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 Unch.
 DEUTSCHE MARK
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Morr 0.5382 0.5332
June 0.5395 0.5420
Sept 0.5505 0.5525 b
Dec 0.5325 0.5555 0.5191 0.5224 a — 0.0009 0.5292 0.5132 — 0.0006 0.5370 0.5415 a — 0.0015 0.5460-0.5325 b — 0.0010 0.5525 0.5355 — 0.0015 2.47 369 1.57 164 0.45 204 737

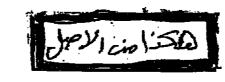
International Stock Indexes

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Monday's New Highs and Lows

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AMEX Trading Closing Prices November 27 Of a M. Month Stock Sis. Close Prev in Low Div. in 5 Yid, P/E 1005. High Low Quet, Close | AAV | 32 | 7.3 7 | 11 | 442 | 444 | 445 | 446 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 | 447 9¼ 4 — ½ 16¼ + ½ 12 — ½ 25% 7% + ¼ 2½ + ¼ 4½ + ¼ 4½ + ½ 16 18 61/4 Exactin A0t 40 9 13

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OECD Payments Balance Seen Nearer Equilibrium

By Jack Aboaf

PARIS, Nov. 27 (AP-DJ) -- The current-account payments balance of the 24 member nations of the Organization for Economic Coop-eration and Development is mov-ing close to equilibrium for the first ime since the 1973 oil crisis.

This is the gist of a paper submitted today by the OECD secretariat to the organization's Working Party 3, a group responsible for the promotion of better international payments equilibrium.

Although the paper has not yet been made public, OECD experts are understood to expect the area as a whole to swing from a deficit of some \$30 billion in 1977 to nearbalance in 1978, to be followed by a small surplus in 1979. A key factor contributing to the

improvement of the payments bal-ance situation was the role played by the various facilities set up by the International Monetary Fund from the oil crisis.

is based on expectations of a sharp fall in the U.S. current-account deficit, as well as on substantial cuts in the surpluses of Japan and West Germany.

Next year's U.S. deficit is now estimated at between \$7-\$8 billion, down from an expected \$18-\$19 the Japanese surplus is set to de-cline to about \$12 billion from some \$20 billion this year, and that (IMF) to help industrialized na-tions cope with deficits arising of Germany is likely to be halved to about \$3 billion.

Switzerland, however, is seen maintaining or even slightly increasing its 1978 surplus of about \$4.5 billion. Among other major members. Britain, France and Italy will record surpluses, while Canada is forecast to record a deficit of \$4 billion, unchanged from the 1978

the smaller members are expected to record a combined current-account deficit of about \$15 billion this year, down from an estimated \$30 billion in 1977.

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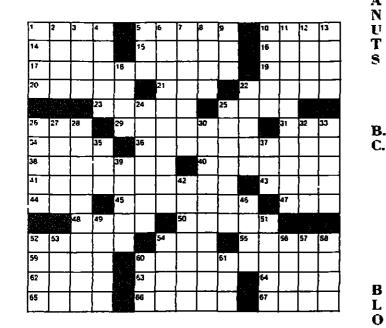
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(Yesterday's readings U.S. and Canada at 1700 GMT: Las Angeles at 2000 GMT: all others at 1200 GMT.)

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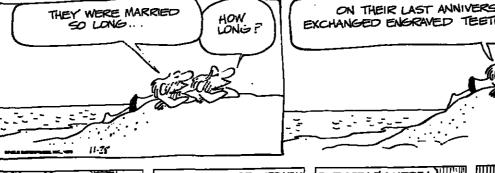
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YOU NEVER HAVE ANY NO, I GUESS NOT SELF-DOUBTS, DO YOU? ON THEIR LAST ANNIVERSARY, THEY THEY WERE MARRIED EXCHANGED ENGRAVED TEETH-GOBLETS.





























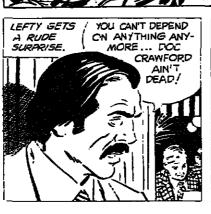












Unscramble these four Jumbles,

one letter to each square, to form

IKKAH

UPDYM

ANSTUE

NITTEY

JUMBLE THAT SCRAMBLED WORD GAME
8 by Henn Arnold and Bob Lee





'AW, MOM. DON'T CHANGE EARS! IT'S LUNCH TIME!"

Fetcher

DENNIS THE MENACE

Solution to Previous Puzzle

BOOKS.

THE CEMENT GARDEN By Ian McEwan, Simon & Schuster, 153 pp. \$8.95.

PANAMA By Thomas McGuane. Farrar, Straus & Giroux. 175 pp. \$7.95.

Reviewed by John Leonard

when he isn't in Montana with Es-were horse or in Hollywood with his need sell gabucks crowd. Panama is wholly chester Hunnicutt Pomeroy to rected. Catherine Clay got married, it is mpa-

Catherine Clay got married, it in the cited think, and represents a busted cultimage nection, a dream, maybe even harmovie. Reality is a seedy Key We as wen a downer with Cubans and real to the state developers. This "he" in the book. Second best be pils and possible to the book. Second best be pils contained by the contained b

Catherine, who doesn't want to a final involved in Chester's madness area

more, but who can't help herself. till ned

Chester's disease, aside from the standing for those who have made reliable themselves up? and from believing that he is related to Jesse James, and we that he was fan overnight sent tion." That is, as a rock star reput

Illusions of Grandeur

somehow managed to identify a, embody the demented spirit of fine. He is famous for having appeared on stage out of the bowels of an elephant to do bat, ar with a batting practice machine.

with a batting practice machine. ar Is he, then, like the Norman Mailer described by Wilfrid She. cr.

Mailer described by Wilfrid Sheet following "the Chesteronian prin in ple of exploring the psychosis pro la er to the group, the identify!] It madness, and letting it enter his like an exorcist opening himself of the devil? No. He is burning third nostril into his nose by sniling cocaine, and he wants his wifes der back, and he doesn't want hie et der

back, and he doesn't want his lost ther back, and he blames American

"Panama" is about stardor cocaine, wives, fathers, the Cir.

War, Jesse James, nuns, mass cr

ture, bad money and bad fait

There is some good writing in and some bad, and McGuasseems not to know the different Everything of craft that must lidone right is done wrong: the both

and gun at the beginning have i

redeeming meaning at the entoning Catherine exists as a chara

ter, and she is hard to take. The

book isn't written; it is hallucins

ed. The reader is asked to do th

writer's work of imagining, and th reader wasn't willing, and I don think it was my fault.

John Leonard is on the staff of Ti-

 $oldsymbol{New Translation}$

Of Bible Passes

Million in Sales

NEW YORK, Nov. 27 (NYT) -

has sold 1.2 million copies just fou

dropping "thee" and "thou" and other archaic language.

The Zondervan Corp. of Grans Rapids, Mich., a leading evangeli acal book house, is the sole publish er, under license by the New York International Bible Society, which is international bible Society.

financed the translation and own: 1

"It has no parallel in Bible trans 2

The newest translation of the Bible designed specifically for the booming evangelical Christian marke is

New York Times.

for himself, and who cares?

OF IAN McEWAN, I know Or IAN McEWAN, I know nothing except that he is the author of a volume of highly regarded stories, "First Love, Last Rites," and this short, creepy and astonishing novel. "The Cement Garden" is astonishing because it takes materials so familiar from recent literature of the control of the c cent literature as to amount to a kind of dross of modernism — the psychopathology of family life, sin-ister shifts in sex roles, infantile regression, libidinal politics, tribal mores — and transmutes them into something dark and glowing. The effect is as if Henry James had written William Golding's "Lord of the Flies" after having read one of R.B. Laing's nightmares.

Where are we? In England, at the end of the world — the end of the family, end of civilization. Prefab houses have collapsed. Towers of apartments are unoccupied. A father, a quiet beast, decides to cement his garden but dies before he can do so. A mother seems then to die almost of her own withering domesticity. Four children remain in a house too big for them. They are afraid that the state will take them away to orphanages and fos-ter homes. They bury their mother in a trunk in the cellar, wrapped in sheets and covered with cement.

What follows is an account of their accommodation, their evolving conception of themselves as a "powerful, secret army," as told from the point of view of the oldest boy, a pimply 15-year-old reader of science-fiction and a compulsive masturbator. They are dangerous flowers in this hothouse where the meat rots in the kitchen and the corpse rots in the cellar and their sexuality, as if from a compost of confused emotions, blooms like nightshade. The odd thing is that the reader comes to root for them, against the state and against Derek. the moneyed snooker player with the red sports car who would invade their dream with his rationality and the authority of his disgust. They are, as a social unit, natural and primal, but also impulsive and impacted. Their house is the oldest of caves, and their games are shad-

Done Right

Just about everything of craft that can be done right is done right in "The Cement Garden," from the cement at the beginning to the sledgehammer at the end. The children are never permitted to be merely symbolic; the specifics of personality are respected; the silences are eloquent. A sort of sci-ence-fiction in reverse is proposed. a mythic sleep. Disquieting, I suppose, is the word for this novel, as well as "accomplished" and "aston-ishing." McEwan sneaks up and stabs us in the heart.

Whereas, of Thomas McGuane much is known by most fiction watchers. He arrived with a bang 10 years ago, with his first novel "The Sporting Club," and has been going downhill ever since, with "The Bushwhacked Piano," "Ninety-two in the Shade" and now "Panama." Whether his going downhill has anything to do with the megabucks of Hollywood screenwriting, to which he is disposed, is a matter for purists. The fact remains that a writer who was once upon a time wacky and droll is now sloppy and doleful, and he doesn't seem to me to have earned

his self-pity.
"Panama" is set in Key West,

lating history, first in terms of the an aumber of scholars that worked or it and second in the transdenomi national nature of it - the mer coming from so many, backgrounds," the Rev. Youngw Kindberg, head of the Bible society, said. manyı The project cost \$2.25 million took 10 years to complete and was the work of 115 men and womer from more than a dozen evangelica. denominations.

the copyright.

The result is the latest in a series of modern versions intended to replace the three-century long domi-nance of the King James Version in the English language.

BRIDGE

_By Alan Truscott

dummy's club could be ruffed, and

the diamond king was the only trick for the defense. Notice that it

would not have helped East to dis-

card the heart king on the fourth round of spades, for South would then have led the heart queen and

thrown dummy's club with the

same result.

On the diagramed deal, South last provided a discard for the club eached an excellent contract of six loser in the closed hand. Now reached an excellent contract of six diamonds. The bidding followed a normal course for two rounds. North's jump to four diamonds was, of course, forcing, and sug-gested slam interest. In spite of holding a minimum, South cue-bid his spade ace, recognizing that this must be a crucial card. The partnership was using a specialized system of Blackwood responses now favored by many experts, and the five-spade reponse showed the dia-

five-spade reponse showed the diamond queen together with two key cards, counting the king of trumps as the equivalent of an ace.

The opening club lead was won with the ace in the dummy, and South bad to maneuver to avoid the loss of a club trick. He cashed the diamond, ace and played these diamond ace and played three rounds of spades, planning to throw the club loser. But East ruffed with the diamond jack, so she adjusted her plan and overruffed.

heart ace was cashed, and a heart was ruffed. Another spade was led, and if East had ruffed, cauch would have though his olub. South would have thrown his club loser. East discarded a club, so South was able to ruff and ruff another heart.

The last spade from dummy at

NORTH ♠KQ932 ♦ A 10962 WEST **♦**J864 ♥8632 **♣**K843 ♣QJ1065 SOUTH (D) **VA0874**

10 40 4N.T. Pass

Imprimé par P.I.O. - I. Bd. Ney Paris 75018

Print answer here:

Yesterday s | Jumbles: TOXIN ELATE FALTER MIDDAY

Answer If an alteration is required, you should get it from this—A "NEAT TAILOR"

WHAT THE CAPTAIN

OF THE ARK SAID

HE HAD NO

SHORTAGE OF.

Now arrange the circled letters to form the surpose answer, as suggested by the above cartoon



Property a 13-yard pass completion against the San Diego Chargers.

Win, 17-16, on 46-Yard Kick

Seahawks Outlast Raiders With Last-Play Field Goal

1-12, scored on a 7-yard pass from Ken Anderson to Don Bass and on Chris Bahr's 34-yard field goal.

But after that, the Bengals threatened to score only one more

time. Just before halftime, Bahr kicked a 38-yard field-goal attempt

wide to the left. Houston's defense

smothered the Bengals in the sec-ond half, allowing them 51 total yards and not allowing them inside

began moving midway through the second period on the runs of Earl Campbell. He gained 122 yards on 27 carries and broke the club sin-

gle-season rushing record and Don Woods' NFL single-season rookie

Patriots 35, Colts 14

At Baltimore, Steve Grogan passed for 247 yards and two touchdowns and Mike Haynes re-

turned a pass interception 36 yards

for a touchdown as the New Eng-

land Patriots opened a two-game lead in the AFC East with a 35-14

quarter and Sam Cunning-

ham four yards in the fourth quar-ter to score for the Patriots, now

The Colts, 5-8, scored on Lyle Blackwood's 21-yard touchdown

return of a pass interception and Bill Troup's 19-yard pass to Ron

Bears 14, Buccaneers 3

rushed for more than 100 yards for

the first time in his pro career, gain-ing 144 yards on 25 carries, and Walter Payton picked up 105 yards in 27 carries to rally the Chicago

Bears to a 14-3 triumph over the

At Chicago, Roland Harper

victory over the Baltimore Colts. Grogan, who completed 9 of 20

onds left here yesterday to give the Seattle Seahawks a 17-16 victory over the Oakland Raiders and thrust the third-year expansion eam into the National Football

League playoff picture.

The victory put Seattle one game behind the AFC West co-leaders. Oakland and Denver, both with 3-5 records. It was the Seahawks' second victory over Oakland this season, marking the first time since 1965 that a team has beaten the Raiders twice in one season.

Trailing, 16-14, with 2:25 to go, the Seahawks marched into Oakland territory after the Raiders failed to capitalize on a 4th-andone from the Seattle 20. During the game-winning drive, Jim Zorn completed five passes for

52 yards to put the Seahawks in position for Herrera's successful kick. The Raiders' problem was compounded when Errol Mann missed the extra-point attempt after a 31-yard touchdown pass from Ken Stabler to Dave Casper with 5:29 left put Oakland ahead.

Oilers 17, Bengals 10

At Houston, Ronnie Coleman ran four yards for a touchdown late

and he was Vikings, Packers in a Rare Tie

and who con REEN BAY, Wis., Nov. 27 the thing I) — Fran Tarkenton threw a Littles from 1) — Fran Tarkenton unter a lattice from and touchdown pass to Ahmad lattice from that as regulation time ran out more and by yesterday and the Minnesott.

It is producing and Green Bay Packers had the blew chances to win in overthou there as the game ended in a rare of stall the 10-10.

done whe he result left the two teams tied the legime the NFC Central Division lead meaning # 2-5-1 but Minnesota has the inthe case are track to the title since it beat to hard to Packers, 21-7, earlier, utten, disk

thing the pre-season college bas-

remsulting but and UCLA showing strength with easy seasonning victories, Indiana suffered

Pask-to-back losses to unranked

a district ouisville, which had been con-

arm the lattered the quickest team in the

d thirtherion, posted victories over Penn

NBA Standings

n overrated.

ball reports said they were, but

iana and Louisville may have

conents. Pepperdine and Texas

.....

BASTERN CONFERENCE

ke and UCLA appear to be ev- NC State.

11 111 M, while Louisville lost, 72-66, up here [also beating Texas A&M and Pepperdine] and feel this tour-

13 9 591 1½ 12 9 571 2 5 14 263 8

18 11 .476 2

15 5 250 — 16 6 227 — 15 6 214

Central Division W L Pct. GB

W L PCI, Gall 11 0 579 — 10 18 500 1½: 9 9 500 1½: 9 9 500 1½: 10 18 500

als of the Seawolf Classic in nament was an excellent tune-up

for its asked.

A comment

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All and pres-

the final touchdown.

way for Green Bay's only points, and Jim Marshall recovered a Terdell Middleton fumble on Green Bay's first offensive play to set up a

Both teams had field-goal chanc-

"We are very pleased with our

play this early in the season," said State's coach, Norm Sloane. "We

had to play three very tough games

for our regular season opener next

week against number-one ranked

points and Mike Gminski added . 24. 53, as Jim Spanarkel scored 25

the pressure of being number one," said Duke's coach, Bill Foster. "We

try and concentrate on a high level

of motivation for our players as a

UCLA looked awesome in disposing of Boise State, 79-59, and

Bruins' victory over DePaul.

In tournament play, St. John's won the Joe Lapchick tournament

PONTIAC, Mich., Nov. 27 (UPI)

center who reinjured his left knee last week, is "questionable" for the

Rokeby Stable broodmare, All Beautiful, to Kentucky in the spring of 1974 for a mating with Secretariat. All Beautiful, dam

of the great Arts and Letters, was broodmare of the year in

1969. Secretariat, winner of the triple crown in 1973, was horse

of the year that season and the

Yet the result of their liaison.

instead of sweeping to the gold and glory that might have been

expected, has turned out to be a

dud. Unraced in 1977 as a 2-

year-old because of ankle prob-

lems, Debrett was gelded last January at Rokeby's winter training center in Aiken, S.C.

Sometimes It Works

season before.

Bob Lanier, the Detroit Piston

David Greenwood, an All-America, scored 28 points to spark the Bruins' victory over DePaul

key to a successful season.

Lanier Hurt

'We don't try and think about

Aggies on Saturday night.

Duke in the Big Four tournament."
Indiana, which was beaten by Pepperdine, 59-58, Friday night, was stunned again, 54-49, by the

Duke handled the burden of being ranked No. 1 by easily disposing of Western Kentucky, 78-Calerodo

Fumbles and interceptions Bay four with four minutes left but marred the game, setting up all but Rick Danmeier, who had a 19-yarder in the first quarter, missed one A recovery by veteran Mike from the same distance. Chester McCoy and an interception by Marcol attempted a 40-yard kick rookie John Anderson paved the with 21 seconds left but that too

went wide. The Packers appeared to have won the game in regulation time, with the Vikings unable to move all day. However, with 1:50 left, Minnesota took the ball and drove 57

in the sudden-death overtime. yards in 11 plays to Rashad's Minnesota drove to the Green touchdown with 10 seconds left.

victory over Northeastern and Fair-

with a 58-51 victory over New

NHL Standings

Patrick Division

W L T Phs. GF GA

15 6 2 22 101 70

14 3 3 31 93 40

12 4 4 28 82 50

11 7 4 26 70 63

Smythe Division W. L. T. Pts. GF GA 8 8 4 20 66 74 8 13 1 17 73 86 5 14 4 14 74 110 4 15 4 12 45 109

ams Division W. L. T. Phs. GF GA

uke, UCLA Justify Basketball Ratings Tampa Bay Buccaneers.

It was the first time since 1955 —
when Bobby Watkins had 115
yards in 14 carries and Rick EW YORK, Nov. 27 (UPI) - State and Lamar before losing to for the fourth successive year by NC State. Whipping Wagner, 108-91, Jeff NC State's Clyde Austin, the tournament's most valuable player, and Kendal Pinder led the team ment with an 81-60 rout of Virginia Casares 115 in 16 carries in a 52-31 triumph over Green Bay - that the Bears have had two backs gain more than 100 yards in the same with 15 points apiece in the final commonwealth, Siena won the game, which saw 17 lead changes.

Brown Tipoff Tourney with a 75-70

Payton ran three yards for the Bears' first touchdown, capping an 80-yard drive in 10 plays, and field took the New Orleans Classic quarterback Bob Avellini rolled out three yards for the second score.

Tampa Bay, slowed by the Bears throughout the game, still got the first points on Neil O'Donoghue's 44-yard field goal in the second period.

Chiefs 23, Chargers 0

At Kansas City, Mike Livingston threw a pair of touchdown passes 85 seconds apart late in the first half to lift the Kansas City Chiefs to a 23-0 victory over San Diego, snapping the Chargers' four-game winning streak.

The young Kansas City defense intercepted five of James Harris' passes and recovered a fumble to post the team's first shutout since

Livingston hit Henry Marshall with a 29-yard touchdown pass to cap a 67-yard drive with 1:42 left in the half, giving Kansas City a 10-0 lead. The Chiefs got the ball right back two plays later when linebacker Whitney Paul intercepted Harris' pass at the San Diego 47. Livingston scrambled 14 yards

for a first down on a third-and-2 and hit Ted McKnight with an 11yard pass to move the ball into position for the second touchdown, a 6-yard pass to Larry Dorsey with 17 seconds left in the half.

Eagles 14, Cardinals 10 At St. Louis, Ron Jaworski threw 22-yard touchdown pass to

OAKLAND. Calif., Nov. 27 pass moments later to help the score with a 48-yard pass to Rich-(UPI) — Efren Herrera kicked a Houston Oilers beat the Cincinnati and Osborne to lead Philadelphia to 46-yard field goal with three sec- Bengals, 17-10. a 14-10 victory over the St. Louis The Oilers had to stage another comeback after trailing, 10-0, early in the second quarter. Cincinnati. Cardinals.

The Eagles, who had lost nine straight games to St. Louis, raised their record to 8-5. The defeat ended the Cardinals' four-game winning streak and dropped their record to 4-9.

Jaworski finished with 13 completions in 25 attempts for 156 yards. The Cardinals' Jim Hart connected on 21 of 39 passes for 196 yards but had two intercep-tions, one at the Eagles' 7 and the other at the Eagles' 13 in the final the Oilers' 40-yard line.
The Oilers' offense, held to minus 17 yards in the first quarter, quarter.

On the Eagles' first possession of the fourth quarter, Jaworski spot-ted Osborne racing down the right sideline and lofted a 48-yard pass to the tight end, who was bumped out of bounds at the six. Wilburt Montgomery gained four yards on two rushes before Mike Hogan leaped over from the two for the

The Cardinals' only touchdown came with 69 seconds left on a 1-yard pass from Hart to Pat Tilley. The pass was intended for Steve Jones but bounced off his hands and Tilley grabbed it. The Cardinals tried an onsides kick but Philadelphia recovered and ran out the

Divergent Paths Cross

Jackson in the first period and 75 yards to Stanley Morgan in the third quarter for touchdowns.

Andy Johnson ran 11 yards in the SAN FRANCISCO, Nov. 27 (AP) — The Pittsburgh Steelers, on the road to the playoffs, try to avoid tripping over the San Francisco 49ers, on the road to nowhere, in tonight's National Football League game.

The Steelers have lost only to Houston and Los Angeles during the first 12 weeks of the season. The 49ers, heading for what could be the worst record in the franchise history, have beaten only Cincin-

However, the Steelers, who lead Houston by 11/2 games in the American Conference Central Division, need only think back to their last game against a team with one victory to worry against the 49ers.

In that one, against Cincinnati last Sunday, the Steelers escaped with a 7-6 victory. It was the second successive week that the Pittsburgh offense had scored just one

Bhashing Over the Ball

"The last few weeks. . .it's embarrassing, says center Mike Webster. "I don't know what the problem is. It's not timing. It's just-execution. Something is off."

The 49ers, on the other hand, appear on the upswing despite a seven-game losing streak. They have been closer to victory in each of the Fred O'Connor, and new quarterback. Scott Bull, who took over one game after O'Connor did.

Last week the 49ers played per-haps their best game of the season in a 31-28 loss to the Rams. Following that contest, the team

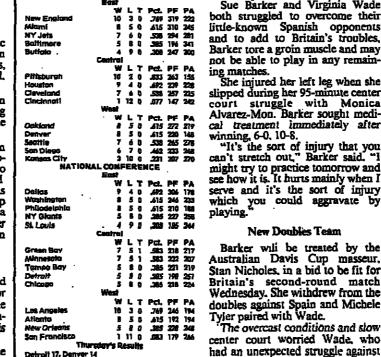
cut cornerback Anthony Leonard, who gave up several receptions that set up Frank Corral's winning field goal for the Rams.

Thomas Cleans House

Leonard was a starter last season and for 10 weeks this year. He became the 14th starter to be cut or traded since Joe Thomas took over as general manager before last sea-

The 49ers need a victory in one of their final four games to avoid winning fewer games than any team in club history, a distinction that currently belongs to the 2-12 squad of 1963.

A Steeler victory in any of the final four games would almost assure Pittsburgh a place in the playoffs for the seventh straight year since Houston is the only AFC team competing for a wild card spot with fewer than five losses.



Buttolo 21, New York Glonts New York Jets 24, Miomi 13 Altanto 20, New Crisens 17 Konsos City 23, San Diega 0 Chicago 14, Tampo Bay 3 Philadelphia 14, St. Louis 18 Philadelphia 14, St. Louis 18 Houston 17. Cincinnall 18 Minnesota 19. Green Bay 18 (et) (tie) New England 35. Beltimere 14 Seattle 17, Oakland 16

Earl Campbell of the Houston Oilers tries to fend off a Cincinnati Bengal tackler with a stiff arm

Cutler kicked four field goals and Jim Germany added a 2-yard touchdown run here yesterday as the Edmonton Eskimos beat the Montreal Alouettes, 20-13, in the Grey Cup game for the Canadian Football League championship.

TORONTO, Nov. 27 - Dave

The victory gave the Eskimos their second title in the last four years and avenged their humiliating 41-6 loss to the Alouettes in last year's Grey Cup game. Cutler kicked a 37-yard field goal

midway through the first quarter. giving Edmonton a 3-0 lead and Germany increased the margin to 10-0 about 2½ minutes later with his touchdown run.

11-Point Halftime Lead

Don Sweet kicked a 33-yard field goal for Montreal with eight seconds remaining in the first quarter. cutting the margin to 10-3, but Cutter kicked his second field goal, a 34-yarder, and a single late in the second period, giving Edmonton a 14-3 halftime advantage.

Cutler increased the lead to 17-3 with a 42-yard field goal at 8:29 of the third period, then, after Montreal had closed within 17-13 midway through the final period, Cutler ended the scoring with a 25-

yard field goal with 51 seconds left in the game.

Montreal, whose offense was

Eskimos Win Grey Cup, 20-13

shackled during the first three quarters, began to unwind in the last period. Quarterback Joe Barnes scrambled for a 10-yard touchdown with 41 seconds gone in the final period and Sweet kicked a 34-yard field goal at 7:35.

Rare Cup Trip West

But it wasn't enough to give the Alouettes a second successive CFL title. Edmonton became the first team from the CFL Western Conference since 1964 to bring home the Grey Cup from an eastern city.

There were the ritual champagne showers and horseplay in the Edmonton locker room after the victory, but there was none of the jubilation one might expect from a team that had just avenged last year's Grey Cup trouncing.
"Winning was more a relief, ela-

tion will set in later," said tackle Dave Fennell, the game's most valuable defensive player.

"We knew we had to go back to Edmonton with the Grey Cup, that's all," he said. "We just had to find a way. I knew I couldn't go through another winter [if we lost

Eskimos all season.

"We just wanted a chance to come back and prove to everyone we weren't as bad as the score showed last year," said quarterback Tom Wilkinson, the most valuable offensive player. "But revenge wasn't a factor.

Alouettes Adjust

Meanwhile, defent sat lightly on the Alouettes after their fourth Grey Cup appearance in the last

Carl Crennel, who led a veteran defense that held the high-scoring Eskimos to one touchdown, said: "This team has a lot of pride. We would like to have won, but we aren't going to cry about it."

Montreal's coach, Joe Scannella.

had similar feelings. "It's hard to lose the last game of the season, but I'm proud of the way we played,"

The biggest mystery was the per-formance of David Green, who was the team's main late-season offensive threat. Green, held to just 22 yards by the Eskimo defense, shook

"It was very, very hard to run outside — I don't know what went wrong. Everytime I tried to get outagain]. This helps to ease the pain."

Last year's 41-6 loss in Montreal side, they were there," he said.

The Gaudiest Game in Half a Century

By Red Smith

NEW YORK, Nov. 27 (NYT) -Notre Dame and Southern California have met at football 50 times. and now they might as well knock it off. No use trying. If they played another 50 years, they could not match the gaudy theatrics of last

Saturday's fourth quarter.
What made the implausible downright incredible was the reversal of roles in the second half. For 30 minutes and more, Paul McDonald, Kevin Williams, Frank Jordan, Charles White, Calvin Sweeney and the rest of the USC Trojans toyed with their visitors. The score was 17-3 at halftime and 24-6 in the third quarter.

With the fine running backs, Va-gas Ferguson and Jerome Heavens, among the wounded, Notre Dame's attack was null on the ground and the next thing to void in the air. Then without warning, everything turned upside down. Unbelievably, Notre Dame scored three touch-downs and, with 46 seconds on the clock, a game that had been out of

Then with two seconds on the clock, Southern Cal won it back, 27-25. College football's oldest intersectional series produced some rabble-rousers in the past but never tacklers.

reach was won, 25-24.

and to add to Britain's troubles,

Barker tore a groin muscle and may

not be able to play in any remain-

might try to practice tomorrow and see how it is. It burts mainly when I

serve and it's the sort of injury

New Doubles Team

Barker will be treated by the

Australian Davis Cup masseur,

Stan Nicholes, in a bid to be fit for

Britain's second-round match

Wednesday. She withdrew from the

doubles against Spain and Michele Tyler paired with Wade.

center court worried Wade, who

had an unexpected struggle against

Carmen Perea. The soft-serving but

ST. LOUIS, Nov. 27 (UPI) - Jim

Brockhoff passed for live touch-

downs yesterday to give Quasimo-do's Lounge of New Orleans a 37-6

victory over the Montreal Panthers

Hunchbacks Romp

Tournament championship.

The overcast conditions and slow

Bo Schembechler, the Michigan coach, had business in Columbus, Ohio, Saturday and probably couldn't watch USC on television, but the chances are that films of the game have reached him by now. Maybe between now and Jan. I, he can discover a route that his pass rushers can follow to reach McDonald, the Southern Cal quart-

Secure as a cloistered nun behind the monsters in his offensive line, McDonald took his own sweet time throwing to receivers like Kevin Williams, whom the Notre Dame secondary shunned like a pollution.

And in between passes, McDonald handed off or pitched out to Charles White. A week before the Notre Dame game, with two games to go in the season. White broke the all-time rushing record for the Pacific-Ten, a conference that has rejoiced in running backs like O.J. Simpson, Ricky Bell, Anthony Davis, Mike Garrett and a dozen others. Against Notre Dame. White add-

ed 201 yards, and he is only a junior with another full season to build up a conference record worth shooting at. He does it mostly by

sheer speed, simply running past

White will return to school next

Britain Off to Slow Start

In Federation Cup Tennis MELBOURNE, Nov. 27 (AP) — consistent Spaniard stunned the Britain made a shaky start today in the opening round of tennis' Feder-off the 1977 Wimbledon champion. But Wade's strength overpowered

Sue Barker and Virginia Wade both struggled to overcome their little-known Spanish opponents

Perea and she swept through the next two sets, 6-1, 6-2.

While Britain toiled for victory, its expected rivals in the semifinals, the United States, predictably thrashed South Korea in the open-

Sipped during her 95-minute center court struggle with Monica Alvarez-Mon. Barker sought medical treatment immediately of the sought medical treatment imm cal treatment immediately after evining, 6-0, 10-8.

"It's the sort of injury that you can't stretch out," Barker said. "I and Billie Jean King completed the mismatch when they defeated Choi

and Cha Eun Jeong 6-1, 6-0. Danish Controversy Eighth-seeded Argentina moved into the second round with a 2-1

victory over Denmark as Raquel Giscafre and Ivana Madruga won the the singles amid controversy in the Danish camp.

Denmark's "unofficial" coach,

Kurt Neilsen, was at courtside to see Anne-Metta Soernsen and Dorte Ekner lose, 2-6, 4-6, and 9-11. 6-2, 4-6, respectively. The Danish doubles pair. Helle Sparre Viragh and Ekner, later beat Vivian Donzalez and Madruga, 9-7, 7-5.

Neilsen took over at the team's request after the women asked the official coach, Don Tregonning an Australian professional, to step

By being on court, Neilsen defied the Danish National Tennis Association, which had asked Tregonning to look after the team. Neilsen was and the National Touch Football dropped by the Danish association early this year.

and the second s

Heisman Trophy, but watching him flash through and around tacklers now, a guy can't help wondering why he isn't a Heisman candidate this year. It is an absurd award, based on the dreamy notion that sportswriters, sportscasters and other "authorities" around the country can compare the talents of This is the single best college football player in America today.

The election is a triumph of press agentry, and the press agents don't even try to put a candidate forward before his senior year. Watching Charles White, a spectator had to ask himself: "Who could be better than this junior? Billy Sims of Oklahoma? Chuck Fusina of Penn State? That Alexander kid down at Louisiana State? Maybe none of the guys the press agents are

Then it was the fourth quarter, and the heretical suspicion arose that maybe Joe Montana was better. All of a sudden, Notre Dame's quarterback was a towering figure dominating the field. Time was wasting and the score was still 24-6. but the young man seemed poised and confident as he led his team on what seemed a forlorn march. Six inches short of a touchdown, disaster struck. Montana tried to squeeze into the end zone on a quarterback sneak, and fumbled

the ball away.

Not even this discouraged him. Next time Notre Dame had the ball, he fired a bomb to Kris Haines that went 57 yards for a touchdown (Haines, who looks like a blond choirboy, is Montana's favorite target. In that second half, Montana completed 17 passes for 286 yards, 9 of them to Haines for 179 yards.)

Notre Dame had to go 98 yards for a second touchdown, with Montana still at the throttle. He threw long and short, and when he had to run, he showed that White wasn't the only ball carrier who could outdistance tacklers. The clock showed 3:01 when Pete Buchanan went in to make the score 24-19.

USC plays a possession game, but this time had to yield up the ball with a minute-and-a-half left. There were 48 seconds left when Montana got his troops to the 2yard line. From there he threw a quickie to Pete Holohan on a slantin pattern in the end zone.

Southern Cal got the ball on its own 30-yard line with 41 seconds left, and now it was McDonald's turn to show poise. He completed a pass for 10 yards, had an incompletion when several Notre Damers jumped on his wishbone, then pitched to Sweeney, who reached the Notre Dame 25 with 12 seconds to go. McDonald calmly extended six seconds on a run by White to position the ball for Jordan, the kicker. Jordan kicked for 37 yards. It was the whole ball of wax.

Penn State Honored

NEW YORK, Nov. 27 (AP) Penn State, the nation's No. 1-ranked football team, won the Lambert Trophy yesterday as the outstanding major college team in the East. The University of Massachusetts won the Lambert Cup for middle-sized colleges.

next few games, the National Bas-Winnipeg 2. Quebec 2, tie Charles Smith and set up another ketball Association club said. A \$12,000 Horse Who Might Have Made a Million

NEW YORK, Nov. 27 (NYT) - Three summers ago, if his owners had decided to put him into the Saratoga Yearling Sales, he could have brought \$500,000. Maybe even a million. Last week, in the chilling bleakness of a clearance sale at Belmont Park, the 3-year-old son of Secretariat went for \$12,000. Such are the realities of

> breeding. "I just wanted to take the chance," said Dominick Imperio after winning a listless bid-ding battle that started at \$2,000 and flattened out early. "I know he's a loser, but it's worth the gamble. Maybe he's got a mental problem."

> the inexact science of horse

Imperio's purchase, a chestnut gelding named Debrett, has never won a race. He was put into the Fasig-Tipton Company sale because of two critical liabilities: (1) he can't run fast enough to beat a riding-academy horse, and (2) as a gelding, he will never be able to serve as a breeding stallion.

What the Experts Say "Breed the best to the best." the bloodlines experts say, "and hope for the best" That's what Paul Mellon had in mind when he sent his best

In some cases, such as with Kelso and Forego, unruly colts who are gelded develop into

champion racehorses. But that didn't happen with Debrett, Hip No. 25 in last week's discount sale of generally mediocre horses in training. In five races, starting with his debut last Aug. 22 at Saratoga, Debrett has competed against 40 opponents. He has finished behind 31 of them, never getting closer than fourth in finish position or 7-1/2 lengths in distance. His career bankroll, the check for fourth, totals \$720.

"He's a little silly

sometimes," said David Corum, Debrett's 25-year-old groom. "Family-wise, you know. The whole family on his mother's side is kind of silly." If this had been three sum-

WHA Standings

mers ago, when yearlings from Secretariat's first crop of sons and daughters averaged \$300,000 at public auction, the bidders would have been on the edges of their chairs. But not even John Finney, the president of Fasig-Tipton, seemed im-pressed when Debrett stepped into the ring.

Slight Consolation

"He's never run for a tag-boys," bellowed Ralph Retler, the auctioneer, as he looked for bids from the 200 or so trainers, owners and other horse people in attendance. In race-track jargon, "run-

ning for a tag" means running in claiming races, events in which the contestants can be bought (or "claimed") by others for the designated price tag. Most of the 175 horses in the auction had run for a tag at places like Penn National or Keystone or Atlantic City: horses with names like Bimbo Lassic, Lobby Linds or Bert Joe B., sired by obscure stallions like Beau Legs, Dancing Breeze or Ole Bob Bowers.

Yet Debrett's aristocratic breeding and his efforts only in maiden special-weight races, where horses cannot be claimed. did not impress the hardboots. "All I can do is just wish him luck," said Jim Picou, a leading trainer. "I only had to take one look at his form."

The chart comments on Debrett's five races in chronological order, read: "no threat". . "tired". . . "used up". . . "tired" and "trailed." As Allen Jerkens, another top trainer, puts it, "If he's got a mental problem after a winter in South Carolina, then he's in trouble."

Hope Still Springing

But Imperio, a 35-year-old trainer who bought Debrett for personally led Secretariat's un-distinguished son back to his new quarters in Barn 33.

be he's just sour. He'll stay here this winter, and he'll run as soon as he tells me he's ready." And what if Debrett still

himself, remained hopeful as he "He works very good in the morning," Imperio said. "May-

can't beat the stable pony? "I've got four young children," the trainer said, "If he still can't run, they can always ride him as a saddle horse."

NFL Standings

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New Orleans		8	8	.385	228	24
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Thursday's i	Re:	RJ	Hs			
Detroit 17, Denver 14						
Dallos 37, Weshington 10						

Standay's Results Cleveland 30, Los Angoles 19

Art Buchwald

Buying Up the U.S.

a joke. What would happen if across the street. nich zillionaires decided to buy up everything they could get their hands on in the United States? But

no one is laughing anymore.

The United States is now holding a garage sale for the rest of the

I hadn't realized how serious it was until I met a friend of mine from Paris named Alain at the Pi-erre Hotel. We erre Hotel. We embraced. kissed on both cheeks and headed for the har. Alain the bar. Alain

Buchwald owns a grocery store in Paris, and I assumed he was in the United States to replen-ish his shelves with Kellogg's Corn

But when I asked about it, he was uncertain. "I don't know whether to buy Kellogg's Corn Flakes or Post Toasties." 'They're both very good." I said. "Of course I also like a bowl of shredded wheat once in a while."

* * * "I don't want to buy a bowl, I

want to buy the company."
"The company?"
"Of course." he chuckled. "Why

do you think I am in the United He showed me the valise full of Eurodollars he was carrying.

"Don't they remind you of Kleenex?" he asked. "What a thing to say about the American dollar, Alain! That's what you Americans used to say about the French

"It was a joke," I protested. "Can't you let bygones be bygones?"

"All right." Alain said agreeably. "You see those Japanese businessmen over there? I heard them talking in the elevator. The little fellow with the Nikon camera just bought some land in New York."
"How many feet?" I asked.

"I'm not sure. I think he said it was 60th Street to 83rd Street on Park Avenue. How many feet would that be?"

"Both sides of Park Avenue?" I "Of course. He had to protect

I ordered a rum and Coca-Cola. "A Swiss friend of mine is thinking about buying the Coca-Cola Co. Do you think it's worth the trouble?" Alain asked.

'It's not a bad company if you

like Atlanta. Of course, if he bought Pepsi-Cola he could live in Greenwich, Conn.," I said. "He doesn't want to live over here." Alain said, "He just wants to own something so that when he comes on a pleasure trip he can say was a business trip and deduct

his expenses."
"I see," I said. "Were you thinking of buying anything besides an American cereal company?"

"Well, I'm not going out looking, if that's what you mean. But if my wife takes a fancy to something, as she did the other day, I'm not going

to tell her no."
"What did she want you to buy for her the other day?" Central Park," he said.

"I didn't know it was for sale." "Neither did I. The negotiations were very tricky. First, I bought up the New York subway system, very quietly, through a Nassau bank. Then I went to Mayor Koch and offered to give him back the subway system in exchange for the World Trade Center. He made the deal. I then went to the World Trade Center people and threat-ened to tear down both buildings and make a park out of it unless they could find something decent for me. They finally came up with Central Park."

"But Central Park doesn't pro-duce any income," I said. "Who needs income? The only

reason we're buying over here is to get our money out of Europe." "Now wait a minute, Alain. I don't understand this. You Europeans have been attacking the U.S. dollar for several years because you say you have no faith in it. Why put funds into America if you don't be-

lieve in our economy?" "Because, dummy, the only safe country in the world for a foreigner to invest his money in is the United

States," he replied.

Alain called for the bar check. As he signed it he asked, "What's a decent up for the waiter when you own the hotel?

By Jeanne Brody

DARIS (IHT) - In the early 1 '60s the West discovered the East. George Harrison fol-lowed his guru to India: Ravi Shankar concerts brought thousands to Carnegie Hall. Ten years later only a few scattered traces remain: the odor of incense and perhaps some Hare Krishna devotees on the

Champs-Elysees. Narendra Bataju, a blind. Nepali siturist is one of those traces. While American and European youths with their backpacks and dreams of spiritual purity trudged along the road to Katmandu, Bataju was traveling west in search of the inscrutable Occident. Filled with his own myths, he arrived in Paris on his way to the United States in the wake of the India craze. Today the wave has subsided, but Bataju stays on.
One of the new generation of

sitarists who followed such masters as Ravi Shankar out of India, Bataju lives with his wife Vidhya in the 18th Arrondissement, sharing an apartment with Krishna Govinda, his tabla player and lifelong companion, and Govinda's wife Jeevan, Six thousand miles and as many centuries separate the apartment on Avenue Rachel from the rest of Paris. A conspicuous absense of furniture, a few wall hangings and Indian rugs adorn the otherwise bare rooms.

Shyly smiling women dressed in saris shuffle silently in bare feet. Bataju sits crosslegged in the center of a small room. A baby's crib and a tiny altar crowded with pictures of Hindu

deities occupy one corner, a mat-tress and a lamp the other. "For those who had their golden period in the '60s, one could say things have gone down now; but I never knew a golden period, so for me things have only gotten better." Bataju punctuates his phrase by taking off his dark glasses. He is young, and has a bushy head of ravenblack hair and a radiant smile.

Deeper Interest

It is true that although the heyday of the Indian period has passed, today in France a deeper interest seems to be developing. There are more French than ever before going to Nepal." explains Bataju, and a look at the newspapers show that at least once a week there is a sitar con-

From East to West

A Nepali Sitar Player's Search For the Inscrutable Occident

cert or an Indian dance recital somewhere in the city. A group of young filmmakers just fin-ished a short on Bataju ("Sa Re Ga: Indian Notes"), and he recently appeared on French television. TFl.

But that doesn't mean life is easy in the West. "In Nepal." he confesses. "I thought if I go west. I'll be happier." Compared to the poverty around him, even the motley Americans who poured into Nepal and India in those years were symbols of Western prosperity. Cameras. tape recorders and dollars seemed to hold the key to nirva-

In fact, life in the West was very hard. "I didn't know a word of French when I arrived, not even Bonjour. Moreover. Bataju found that those rare Frenchmen who appreciated "Indian music" back in the early 70s were suspicious of someone from Nepal. They didn't realize that Nepali music found its source in the same Hindu cul-

Sponsors

But Bataju and Govinda were not alone. A French couple who had studied with Bataju in Katmandu sponsored their trip to Paris, put them up for several weeks found them an apartment and arranged a 15-day concert tour for them.

The help they received (and, according to Bataju, are still re-ceiving from friends) was invalu-able. "Now, our life is tougher than before, a bigger challenge." Concerts are not an everyday affair, publicity is expensive, students scarce, and the rent and food bill must be paid regularly. "But I like it." Bataju insists, "to have progress some kind of chal-

lenge is necessary."

One of the greatest challenges. next to adjusting to Western culture and making ends meet, has been adapting ancient Indian

classical music and teaching methods to the demands of modem technology.

When Bataju was 10 years old in Nepal and discovered the man who was to become his guru, he benefited from the teacher-disciple relationship of the East. Naraya Prasad, sitarist and owner of a sweets shop in Katmandu, took the young blind boy into his home, where for two years Bataju woke and slept. lived and breathed to the music of the sitar. "He made me promise not to touch another instrument for a year, not even to listen to the radio.

Such complete absorption in the music is just not possible in the West. "Here, they have more obligation." says Bataju — "jobs, family, duties. A student can't devote eight hours to prac-ticing. Even I can't devote as much time." But those students who come to Bataju for lessons and stay to learn - after the inital exoticism has worn off and the hard work begun - truly love music. "If they come," Bataiu smiles. "it is for love. I can give them nothing: no money, no fame, no job, just music."

how to reach a compromise between spiritual values and material progress. He tries to transmit the former by means of the latter. When he noticed that his pupils, unused to the oral tradition, were unable to retain the lessons from one week to the next, he began to tape-record lessons. His trusty recorder also solved the problem of having a readily available tabla accompanist (the tabla is a type of drum). In Nepal, it is easy to arrange for someone to come to your home to accompany you on the tabla. In France, tabla players are expensive and rare, and time is precious. By recording accompaniments to different ragas in different tempos, Bataju made the students' task that much eas-

In his own way, Bataju holds the key to one of today's major

philosophical contradictions:

Edward Albee in his play "Zoo Story" says: "Sometimes you have to go a long way out to come back a short distance correctly." Bataju Bataju has traveled that circuitous path. He left Katmandu and the spiritual traditions in which he was raised search of the happiness that dollars could buy. In France he discovered that even with money, there were problems; even rich people were unhappy. For Bataju, instead of corrupting, "coming west gave me more spiritual values."

So in spite of the difficulties. Bataju has no immediate plans to leave. "I love my own country and I want to do something for my country, but I still haven't reached my final destination: I haven't been to America yet."



Sitarist Narendra Bataju in still from film "Sa Re Ga."



Where the Kennedys go, cameras follow. It was business that bar-usual Sunday night. A herd of photographers lay in wait whether in former first lady Jacqueline Onassis arrived at a private Earlass \$1. Side club in New York for a birthday party honoring her two by NT. former first lady Jacquenne Side club in New York for a birthday party honoring her two lot NI children, Caroline, who turned 21 yesterday, and John Jr., whi me the was 18 Saturday. During 30 seconds of clicking shutters, photoad insegraphers shouted and pushed around the Kennedys. That he ten John Jr., center, trying to get through the papparazz to get through the get through through through the get through the get through through thr

PEOPLE: Travoua Revolute, Says E. German Paper Travolta Revolting, rs E. German Paper ing that no one has been victimized by them, either. Fallows will Fig. 100.

ling John Travolta has provoked the wrath of East Germany's Communist government. "Travolta tries to make capitalistic daily life seem harmless," said the state-run youth newspaper Junge Welt of East Ber-lin. But the West German newspaper Welt am Sonntag countered, saying that the editorial blast was obviously aimed at dampening Travolta's rising popularity" in East Germany. Music from Travolta's films is widely played in East German discos, and his picture is known from magazines brought in from the West.

American film star and disco dar-

in i<u>n dia menga</u> sanjeraan in Panjeran na na hala sebah a in

President Carter's chief speechwriter James Fallows, who is leaving the White House at midterm, has no regrets and no recriminations. Fallows' "single happiest surprise" during two years at the White House was the lack of feuding, he told the Washington Star. It doesn't exist, "or is here in a much more muted form than I expected." Lauding Carter's personal style, Fallows said, "He makes it clear that people are not going to get ahead by scheming or backstabbing. . He has demonstrated by word and action that people are not going to rise" using such methods. No one has gotten ahead by adroit use of the leak, the poison pen or the dagger," said Fallows, 29, add-

come Washington editor of Atlattic Monthly magazine. * * * She doesn't need the money. Bi Priscilla Presley, the former wife in the late rock 'n' roll idol Elvis, sattable is launching an acting career that to make a clean break with the

past. "That chapter is closed," shall observes in an interview with Pern. ple magazine. "Life is so short."
don't want to dwell on the sadness." Mrs. Presley, 33, was Girly vorced from Elvis in the early "Gr. Under the terms of the settlemer she received \$1.7 million ply set \$8,000 a year until 1983. "Will to Elvis, my life was his." she to People. "I want to grow. I want f

m vk

As far as veterans of the speed way are concerned, Paul Newma's missed his calling when he opted for matinee idol rather than rac's car driver. That's the word in Ne-York from the pros as polled in the December issue of Sport magazine Says 31-year veteran Don Kearner "If Paul Newman had decided i? be a race-car driver at 21 instead of ; an actor, the man would have bee! a world champion." Newman too¹ up the sport after making a rac¹ film in 1968 and won a national film championship in 1976. - SAMUEL JUSTICE

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